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ROGER PEARSON
General Editor

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A PERSPECTIVE ON PRIVATE INITIATIVES IN U.S. SPACE TRANSPORTATION*

By Klaus P. Heiss

1. Background: The 1972 Space Shuttle Decision

The decision to proceed with the Space Shuttle (and the Space Tug – to make up the Space Transportation System, the STS) was made in 1972. It was based on extensive technical, economic, and effectiveness studies. The reasons to proceed with the Shuttle were *not* so much transportation cost savings – indeed these were estimated to be higher – but the ability to conduct Space missions in an entirely new mode, allowing for revisits, repairs, in orbit check-outs, and return of products, components, and entire satellites to Earth. The Space Telescope is one prime example, and one of the few actually realized by NASA.

In a memorandum to the NASA administrator in October 1971 I concluded that a Space Shuttle of the current design ought to be developed – in preference to literally dozens of other competing ideas. This Shuttle should be assisted at take-off by either solid rocket boosters or, alternatively, by equivalent liquid fuel pressure-fed boosters similar to the main propellant tank technology, the latter probably the preferred technology. Part and parcel of that recommendation was also a reusable Space Tug to propel payloads from low Earth orbits to higher orbits and to retrieve payloads in the future.

The implementation of that original, forward-looking decision is by now a case history on how the best and most exciting technology programs can be made into a tedious hassle when driven by budgetary 'concerns' that ultimately lead to economic and technical disaster. I believe the Space Shuttle development in the 1970s and 1980s to be a prime example of how the work-

* From 1970 to 1972 author Klaus Heiss directed independent studies concerning the need for a new U.S. Space Transportation System under contract to NASA at the direction of the Office of Management and Budget. Jointly with Werner von Braun and Frank Borman he was the first to testify on the Space Shuttle before the U.S. Senate and House in the early 1970s and he has been closely associated with the Space program throughout the past two decades. In 1981 NASA awarded him the Public Service Award for outstanding contributions to the economic understanding of the Space Shuttle and the Space program.

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ings of the Government bureaucracy, the Executive Offices of the President (OMB, NSC) and the Congress could ruin a program that had every promise to advance the United States in space for decades to come.

This 'criticality' list includes:

1) Choice of the solid rocket boosters over pressure-fed liquid rockets to 'save' $500 million in R&D costs in the 1970s;

2) The rejection of the European offer to develop the reusable Space Tug to complete the Space Transportation System. To date, after PAM-As, PAM-Ds, TOSSs, Shuttle-Centaurs, etc. (i.e. $3-5 billion), the United States still does not have a reusable Upper Stage, a critical item in the original Shuttle decision;

3) The arbitrary $5.5 billion Shuttle development budget ceiling which, under inflation, deteriorated into a development approach of 1970s 'savings' at the expense of 1980s operations and logistics.

The effects of this unrealistic attitude were many: foremost instead of proceeding with a fully funded development effort, incorporating the latest and most reliable technology, all types of 'savings' were mandated in each and every system component of the Shuttle: engines were not tested to failure, computer systems on data handling were frozen, solid fuel rockets were preferred to liquid fuel rockets (see below), thermal protection tiles were preferred over metallic re-usable materials, and no adequate allowance was made for Shuttle operations issues (e.g. space parts).

Corners were cut in every conceivable way just to achieve a 'first launch.' What suffered as a result were adequate provisions for efficient, routine, low cost and safe Shuttle operations in the 1980s. The most disastrous decision to the future of the Shuttle program was the cancellation of Orbiter V procurement in 1978.

2. Cancellation of Orbiter V: A Fatal Mistake in 1978

With the advent of a new administration in 1977, the Space Shuttle program was one of the prime candidates subject to possible reduction, if not elimination. In the lengthy dispute – to early 1978 – a 'compromise' resulted: two launch sites (East Coast and West Coast), but only four Orbiters, *instead of a continuity of Orbiter production* or the minimum initial five

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units. This decision, though innocuous to the layman, was fatal to the effectiveness of the Shuttle program.

- With a discontinuation of Orbiter production the Shuttle system needed an *expendable backup* in the next two decades – through 1999 – by *Titan* rockets, the Air Force system to deliver satellites to orbit. This conclusion was reached and stated to proceed with the Shuttle, and implied an additional expenditure estimated then at about $2 billion. To this day I maintain that the decision to discontinue the Orbiter production line in 1978 was deliberate and taken with the full knowledge of the fatal implications it invariably would have on the Shuttle, U.S. space transportation and national security.

The reasons for the need for continuity of Orbiter production in 1978 were:

- Only open production lines would ensure a continuous technology evolution of reusable Space Transportation systems, the Shuttle in particular, for the rest of this century. The U.S. could not rely on only four vehicles of the 1970s vintage for the rest of the century and *no other space transportation production capability*!
- Continuing Titan production lines – for backup in case the Shuttle vehicles were grounded – implied $2 billion or more in expenditures for the 1980s alone, *a sum much better spent to procure more and improved orbiters* – at that time at about $500 million a piece.
- Closing of the production lines also implied an inability to provide for an *adequate space parts* policy at acceptable costs: since one did not know which 'parts' would be needed, either the full production capability would have to be maintained – without producing any Orbiters – or to forego certain production capabilities 'hoping for the best.'

In the end, NASA proceeded with procuring only four Orbiters and *no expendable* backup – the most costly and risky policy, now also proven to have been futile. All of this in the name of false 'economies.'

NASA continued then – and since – as if nothing had happened. NASA should never have consented to the cancellation of Orbiter production lines. NASA should have terminated the Shuttle program instead. To me, the implications and the state of affairs were obvious – and I believe they were obvious

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to any competent observer. I was so upset at the decision that I took a risky, unprecedented step to see to the private financing of the next – fifth – Orbiter. Underlying this decision was a discussion I had with officials from OMB in early 1978 that showed no possible chance to reverse the decision to stop Orbiter procurements after four units.

3. The SpaceTran Proposal to find Orbiter V: 1978-1983

As stated above, I initiated, in 1978, the private funding of the Orbiter V unit, formed the Space Transportation Company Inc. ("SPACETRAN") in 1979, and by early 1982 obtained the participation of the Prudential Insurance Company to see to the financing of Orbiter V of up to $1 billion. The estimated cost – then – of an additional Orbiter was $960 million, as it took advantage of open production lines, since closed.

The proposal, formally presented to NASA in February 1982 and discussed before Congress in June of that same year, was straightforward. The key aspects of that proposal were:

1) SpaceTran would fund a 'Carbon Copy' Orbiter V at a firm, fixed price of $1 billion;

2) The U.S. government could add any improvements it deemed necessary for technology and national security reasons and be responsible for any costs in excess of $1 billion;

3) SpaceTran would turn over Orbiter V at completion (June 1986) to NASA and in return would obtain the right to all revenues for non-U.S. government uses of the Space Shuttle fleet up to about 25% of Shuttle fleet capacity;

4) SpaceTran would reimburse NASA for launch costs incurred for the non-U.S. government payloads under a 10 year agreement based on additive (incremental) cost prices fixed for this period;

5) SpaceTran would recover its investment from any revenue above the incremental cost reimbursement to NASA.

4. Termination by NASA of Private Funding Initiative: 1982-1983

The reaction of NASA was most curious: rather than jump at the opportunity of such financing and private initiative, the proposal was turned down by NASA – after year-long negotiations – *because the proposal was too rewarding to the private*

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sector! Throughout the negotiations for allowing such private funding the attitude by NASA officials was an *adversary* process, rather than one of cooperation to see how, jointly, one could bring about such an initiative, most important herein obtaining the consent of Congress. The record is devoid of any presentations by NASA to advance the private funding of Orbiter V.

In these adversary negotiations we even proposed to NASA that the private group would not have any exclusivity – i.e. if other groups in the future proposed to fund other orbiters, NASA was free to proceed. However, we needed NASA cooperation on 'additive launch cost,' access to Kennedy Space Center launches similar to the understanding NASA had with the Air Force, and other usual business understandings, which NASA denied. Orbiter V would have been completed in June 1986, for a cost borne by the private sector of $1 billion.

The 'public' reason given by NASA was that a fifth Orbiter was not needed since, with the *high launch rates* at East and West coasts, all foreseeable needs could be met. Of course, NASA knew of – but did not fight for – the need of Orbiter production continuity.

5. The SpaceTran Initiative for Commercial Titans as a Backup to the Space Shuttle

In the pursuit of the private funding of Orbiter V the financial markets in the private placement required of *SpaceTran as a backup* for any non-U.S. government traffic in case the Space Shuttle were not available: we could not assure investors that the Orbiter(s) would always work and be available for non-U.S. government missions (i.e. pre-emption by military uses). And 'insurance' is inadequate compensation for business opportunities left stranded on the ground (see Intelsat VI 1986 and 1987 with a $1 billion investment in 5 spacecraft).

To such purpose I negotiated and then signed, as President and CEO of SpaceTran, an exclusive agreement with Martin Marietta, UTC and Aerojet on October 29, 1982, for all worldwide commercial uses of the Titan family of launch vehicles. In return, we would proceed to procure four Titan 34-D vehicles by 1986 with the first unit to be delivered in March 1986. Jointly we would and did, endeavor to obtain the necessary access to Air Force launch facilities at ETR (Cape Canaveral).

The proposal by SpaceTran to provide such commercial

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backup was again simple and straight forward: it was centered around the then competition for launches of the Intelsat VI series of spacecraft, starting in 1986, a $500 million opportunity with another potential follow-on market of maybe another $600 million.

The SpaceTran proposal to Intelsat – and explored with NASA – was:

1) SpaceTran would contract with the suppliers a fixed, firm price delivery of four Titan 34-Ds with first delivery in March 1986;

2) SpaceTran would provide the launch of two of the five Intelsat VI spacecraft in 1986 and 1987;

3) SpaceTran would offer Intelsat backup launch options for the other three Intelsat VI spacecraft in case the Shuttle system was not available to Intelsat in 1986 and 1987;

4) SpaceTran discussed with NASA the option to jointly propose a 'package' U.S. launch offer consisting of three Shuttle launches and two Titan launches, so as to assure the United States of all of the five launches of Intelsat, i.e. the $500 million, thereby

5) preclude foreign competition from gaining a foothold for this series of launches, since Ariane IV was only to become available in 1987 at the earliest, i.e. the fourth and fifth contemplated Intelsat VI lauches.

The proposal to Intelsat specifically pointed out that with the SpaceTran proposal Intelsat assured itself of the *certainty* of lauches in 1986 and 1987, something that neither the Shuttle nor Ariane could provide to Intelsat. We also pointed out that the $1 billion plus investment in the spacecraft was useless when on the ground and that the interest cost alone for a one year period exceeded $100 million. The revenue foregone probably amounted to two to three times that amount. To NASA and the Air Force we pointed out that the nation would obtain and maintain a backup capability to the Shuttle at no added cost to the U.S. government and that for national security reasons it was irresponsible to rely on one system and only four vehicles for the most important link in the 'Triad': the Space segment.

We negotiated with NASA from October 1982 to about May 1983 as well as with the Air Force in this matter. In addition to Prudential, Federal Express had taken a considerable interest in

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our expendable backup capability since, as a principal prospective user of large communication satellites, Federal Express was vitally interested in any backup capability to the Shuttle – just in case.

Things culminated in March-June 1983: we proceeded to offer Titan launch venicles to Intelsat for launch assurance for large communiction satellites – in competition against Ariane; we obtained insurance premium quotes from the market of about 5% (again 15% to 20% of Ariane); we even proposed to limit Titan launch rates to 2 a year to accommodate NASA's stated fear – to no avail. NASA did everything to have this private sector initiative stopped.

In our negotiations with the Air Force we found a most receptive and willing party. A Memorandum of Understanding (MOU) giving us access to Air Force launch sites on the East Coast was drafted in conformity with DOD regulations and authority.

NASA made an all out effort to terminate any Titan program with the Air Force and, indeed, intervened with the Air Force to have them not sign the needed launch site agreement with SpaceTran to proceed with commercial uses of the Titan system by the private sector. NASA was fully successful in its intervention. No agreement was signed. This intervention by NASA terminated any chances for efficient – or any – use of expendable backups for the Shuttle after 1985. The 'logic' of the NASA reasoning was faulty then, and has proven disastrous now. NASA made presentations to us that a backup to the Shuttle was not in NASA's interest for the following reasons:

- If a backup system existed, the Shuttle program would be undermined in case of future difficulties or mishaps. Rather than see the Shuttle program thus diminished or endangered, NASA would ensure the continuation of the Shuttle program by a deliberate 'no choice' policy.
- Any U.S. expendable launch activity would detract from Shuttle uses. Despite strong presentations to the contrary, NASA did not see that Titan launch vehicles were actually competing against Ariane, another expendable vehicle of less proven launch record, rather than Shuttle launches. A case in point was the Intelsat competition in 1983 where, indeed, the U.S. would have won all five Intelsat VI launches (three Shuttle and two Titan) had such an offer been accompanied by the requisite under-

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standing with the U.S. Air Force.

- If the private sector were to commercialize the Titan system, the temptation of the Air Force to continue to make use of Titans might prove irresistible.

At the bottom of this failure by NASA to perceive the national – rather than the agency – interest is what I call the 'zero sum fallacy,' namely the notion that any launches gained by the private sector and ELVs are necessarily at the 'expense' of the Shuttle and NASA. The Intelsat VI outcome of the launch competition is a telling counterexample: the Expendables went to Europe and it now may well be that NASA may launch none of the Intelsat VI spacecraft. Loss to the United States in this one case: $500 million for sure, and maybe $1 billion in the longer term.

With the decision not to allow private funding of Orbiter V and the termination of the Titan launchers in 1983 for last delivery in 1985 – the U.S. was left with *no* launch capability for larger satellites in 1986 – and onward – should the Shuttle fail or not be available for whatever reason.

After our presentations to the Air Force in 1983 as to the need for a commercial backup to the Shuttle, the Air Force revised their own thinking on the issue – and after a further year-long study decided to proceed – against NASA wishes – with the procurement of Titan 34-D-7s for 1988 onward at a rate of two per year as we proposed for commercial users, starting in 1986. Without the Shuttle, the United States is left with no launch capability in 1986 and 1987 for the most critical military scientific and commercial payloads.

In conclusion, had NASA positively supported the directive of the President to see more private sector involvement in the U.S. space program and had NASA taken up the cause of these private initiatives in the 1980s – rather than do the exact opposite – and had Congress encouraged NASA in this course, the United States today – in 1986 would have:

1) A fifty Orbiter being 'rolled out' in June 1986 for use by NASA at a cost borne by the private sector of $1 billion;

2) ELV launch services to Intelsat with Titan 34-Ds, with several units 'in inventory' for use also by the Department of Defense, again all financed by the private sector and

3) Have an active worldwide U.S. space transportation

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marketing organization competing vigorously – and fairly – with our friends in space enterprise abroad.

Instead, the nation is faced with a $3 billion to $5 billion bill to be paid by taxpayers for promised future capabilities in 1989, and possibly later. It is time to let the private sector proceed and compete in the United States and abroad.

6. Outlook

The implications of this history and the current situation in which the nation finds itself are quite serious. Everything has to be done to avoid the continuation of the current dilemma in the next decades.

6.1. Next Shuttle Launch

The pressures will be extreme to have the next Shuttle launch occur as soon as possible, as if nothing had happened. There is little doubt in my mind that the next Shuttle launch will indeed be successful, even if it occurs with no changes in procedures, design, and operations. But this is not the point: with no drastic changes in NASA policy, attitudes and de-facto backup possibilities, a climate of complacency and no-choice will again set in. The pressures to proceed with any given launch will once more increase, to maintain launch schedules of subsequent flights, to increase launch rate, etc.

New Shuttle launches should not be approved until a thorough re-evaluation of launch procedures, data flows and evaluations, as well as necessary hardware and software changes, have been implemented and tested. This may take from 12 months to two years. The only Shuttle flights to be allowed before then should be strictly for the highest priority national security missions without which U.S. security would be severely and irreparably damaged. Nothing else would justify risking one third of the remaining U.S. space transportation capability in 1986 and 1987 until the Titan 34-D-7s become available in 1988.

6.2 Old Technology vs. New Technology Orbiters

Do not throw good money after old technology Orbiters.

No new Orbiters of the current technology and design should be procured.

The need and chance for additional Orbiter buys was terminated in 1982, when NASA decided not to allow the funding of

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Orbiter V by the private. That acquisition could have been done for $1 billion. To spend $3 billion or more today for early 1970s technology is wasteful and unwarranted.

Rather, NASA should evaluate the acquisition of an entirely new set of Orbiters – a clock buy – and incorporate in those vehicles all the technological and operational lessons learned. Doing away with the solid rocket boosters may also be advisable.

6.3 Use Current Orbiters for Manned Spaceflight, Space Station, Shuttle-Unique Payloads and Backup for ELVs

The Space Shuttle has been a magnificent achievement ruined by NASA management and policy, with the help of OMB and Congress. There is no way now to make the current set of Shuttles into an economically viable Space transportation system for the rest of this century. To appreciate this, one need only take into account the incredibly complex launch procedures and check-out requirements of the current system. The pressure of launch rate build-up and launch schedule requirements should be removed so as to give NASA time for appropriate assessment of the safety of any one manned flight. The launches of the current system will never be routine, and should never have been so.

Totally overlooked by NASA and Congress is the fact that with a U.S. Space Station and ELVs the need for additional Orbiters in the 1990s beyond the three Orbiter fleet is non-existent: with the Space Station as a transportation node, ELVs can fulfill many requirements which to date had to be fulfilled by the Shuttle. The United States should not buy the same promises twice: payload missions made possible by the Shuttle, the payload missions made possible by the Station greatly overlap. These missions include checkout in orbit, assembly of structures, refueling and refurbishment, materials processing, and manned Space activities. What is needed is a Space Tug (OTV, OMV, Reusable Upper Stage) with the Space Shuttle and the Space Station.

The argument that the U.S. now needs an additional Orbiter of the same design for $3 billion plus 'in case we lose another one' is nonsense: the last thing the U.S. needs is another old technology Orbiter, particularly if we should lose another one – since then the current design may well be unworkable. Hence, the current Shuttles should be set aside for manned space flight

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requirements, launch of Shuttle-unique payloads, such as the Space Telescope, and later the support of the Space Station, and be used for military and commercial flights only on a basis of free choice by the Air Force and the commercial sector.

6.4 Commercialized ELVs by the Private Sector with Additive Cost Access to Government Facilities and Services

There is now no choice but to see to the quickest possible re-activation of an expendable launch system to complement the Space Shuttle. Without prejudice to any other option, the only system currently available to the U.S. to fulfill this role across the board, and economically, is the Titan family of launchers already under renewed procurement by the Air Force. It would take little sense to revive at government expense additional old launchers, or to invent new ones, thereby delaying what should have been done two to three years ago.

This further means that, in addition to the Air Force, the commercial sector be given such a U.S. choice, rather than be forced to use foreign launch systems: at this moment the only choice. For some payloads there is no choice at all until 1988 – the advent of the Titan 34-D-7. Since the Air Force is already opening Titan production lines, the private sector ought to be allowed to avail itself to the same system at additive costs for the rest of this decade and into the 1990s. Production rates of Titans can easily be increased to meet any and all national security and commercial launch needs of this nation well into the next decade.

In addition, of course, many other U.S. expendable systems exist and should be 'allowed' to compete under the same ground rules. In fact industry should have an unrestricted right to do so. This includes Delta, Atlas-Centaur, Scout and several other new ELV vehicles. Some of these systems can fulfill launch services for payloads smaller than the Shuttle or Titan 34ds.

What is not needed is NASA inventing new ELVs at taxpayers expense and thereby preventing the commercialization of very efficient, proven and reliable U.S. rocket technology: if it works don't fix it.

As to Space transportation needs in the 1990s – beyond a block buy of new technology Orbiters and commercial ELVs – the requirements of the Strategic Defense Initiative will determine the architecture and mix of U.S. space transportation sys-

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tems, including the potential promise of the Aerospace Plane.

It is my firm opinion that only this set of actions will suffice, given the situation in which the United States finds itself. These actions have to be taken immediately, whatever the objections of NASA. NASA simply has no credibility left on this issue. Every day lost on this issue is a day lost in doing what has to be done anyhow. Every day lost on this issue means revenues and jobs lost by the United States to international competition. These actions will also give NASA time and latitude to proceed with manned space launches without undue 'pressure' from foreign competition – economically and safely.

7. Summary

The 1972 Space Transportation System decision – consisting of the Space Shuttle and the Space Tug – was one of the most foreward-looking technology enterprise decisions of the United States – the only one of the 1970s. The implementation of that decision must stand as a prime example on how not to manage the nation's business, the failings of the government bureaucracy, the Executive Offices (OMB, NSC), and the Congress:

- the Space Tug was cancelled. $3-5 billion were spent instead on 'interim' solutions;
- NASA was held to an artificially invented budget ceiling in a period of rampant inflation, resulting in a myriad of technology development compromises;
- most fatal, in 1978 the continuity of production capability of the only future Space Transportation vehicle line was terminated with the cancellation of Orbiter V procurement, leading directly to the current, predictable impasse;
- the private sector then proposed to offer the necessary funding of Orbiter V – in return for all non-U.S. government marketing functions of the Shuttle system on a non-exclusive basis;
- the private sector also proposed – and had negotiated with the Air Force among others – the continuation, at private expense, of ELV production and launch operations as a backup to the Space Shuttle fleet;
- both of these initiatives were opposed by NASA and ultimately brought to failure by NASA intervention with other government agencies to prevent the requisite under-

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standings with regard to Space launch and production facilities;

- this occurred despite the President's stated directive to see to the expanded private sector involvement in the nation's Space business.

Had the private sector been allowed to proceed, the United States would have:

1) a brand new Orbiter V as of June 1986, for $1 billion paid for by the private sector and

2) four Titan 34-Ds for use in 1986, again paid for by the private market.

Instead, the nation today is faced with no Space launch capability for large satellites for 1986 and possibly also 1987 – including most important national security missions and a prospective bill of $3 to 5 billion, this time entirely at taxpayer's expense.

Before investing that type of money into old Orbiter technology it is proposed that:

1) the private sector be finally allowed to take over the ELV launch business and all Space marketing functions here and abroad, including the remaining Shuttle capabilities.

2) the private sector do so with the right of additive cost access to all Government facilities and services: the private sector would reimburse Government only for the added funds needed – and proven to be needed – to accommodate such ELV activities (i.e. at no added cost to the U.S. taxpayers beyond what the Government would do anyhow);

3) the current technology Orbiter fleet be frozen at three, in view of the ELV uses by the Department of Defense and the private sector – as well as the prospective Space Station capabilities;

4) a block buy of *new technology Orbiters* for the 1990s be initiated to indeed achieve a low, reliable, and reusable United States Space transportation capability, as originally promised in 1972;

5) a reusable Upper Stage be developed, with private sector participation, something much more important than one more Orbiter of the current design and

6) the Strategic Defense Initiative requirements should determine any additional Space transportation technology

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needs beyond these immediate steps, including the potential promises of the Aerospace Plane.

A sizeable investment by the private sector in the initiatives just outlined can be expected even now, if the private sector were only allowed and encouraged by Government agencies to participate.

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THE CHINESE OCCUPATION OF TIBET: A LESSON FROM HISTORY

By Gary Bullert

The People's Republic of China celebrates this year the thirty-fifth anniversary of the incorporation of Tibet into its boundaries. Through a protracted policy of isolating Tibet diplomatically, militarily, and economically, a strategic area one-fourth the size of China proper was absorbed without a tremendous cost either in manpower or military/economic allocations. While substantial differences exist between the predicament of Taiwan and Tibet, Tibet does provide the Communist Chinese with one viable model for effective "reunification." In fact, Peking temporarily slackened in 1980 some of the more oppressive features of its stewardship in part to demonstrate to Taiwan and Hong Kong how local autonomy within a greater China might function benignly. In attempting to lure the Dalai Lama back to Tibet as an identifiable symbol of reconciliation, legitimatizing Chinese overlordship in the eyes of the world, Peking also endeavored to assuage relations with India. Particularly after the 1962 Sino-Tibetan Border War, the plight of the Tibetans has aggravated relations between these two Asian nations. According to H.E. Richardson, British diplomat and historian, the most effective device for peaceful domination of Tibet historically is the control of the person of the Dalai Lama. Though the Chinese have initiated negotiations for the return of the Dalai Lama which would formally end Tibetan resistance, one can only speculate about what arrangements could harmonize communist rule with a Tibetan culture grounded in Lamaist Buddhism.

The Historical Background

What briefly was the historical status of Tibet? Protected by the natural barriers of the Himalayas and the Gobi desert, Tibet enjoyed 1300 years of independence as a traditionalist theocracy. However, during the 20th century, its isolation proved to be a handicap, as it became an area of rivalry in the power struggle between Great Britain, Russia, and China. In 1914, Great Britain strove to clarify the international status of Tibet by convening the Simla Conference. Article II. of the

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bilateral treaty between Britain and Tibet stated:

> . . . the government of Great Britain and China recognizing that Tibet is under the suzerainty of China, and recognizing also the autonomy of Outer Tibet, engage to respect the territorial integrity of that country, and to abstain from interference in the administration of Outer Tibet (including the selection and administration of the Dalai Lama) which remains in the hands of the Tibetan Government at Lhasa. The Government of China engages not to convert Tibet into a Chinese province. The Government of Great Britain engages not to annex Tibet or any portion of it.(1)

Article III. prohibits the establishment of any Chinese colony in Tibet while Article IV. limits Chinese troops in Tibet to a 300 man military escort for the Chinese diplomat in Lhasa. At the final meeting of the Conference, the British Indian Office said that if the Chinese did not sign the treaty and "if Chinese aggression continues, Tibet may count on diplomatic support of his Majesty's Government and or any assistance we can give in supplying munitions of war."(2) When the Chinese representative refused to sign the treaty, China was denied all privileges accruing from the treaty under the title of suzerainty.

The Communist Chinese instigated a historical/legalistic campaign in order to establish their claim to Tibet.(3) Chinese historians habitually embellish the significance of tributary missions journeying to Peking's court in order to flatter the Chinese emperor. Such missions were showered with gifts by the Chinese; the right to present tribute to the emperor was considered a valuable economic opportunity. As an entrepreneurial activity, it was eagerly sought by peoples living near China. Both Burma and Nepal, like Tibet, sent missions to the Chinese court. At one time, even Britain was listed as a vassal state. When the Manchus gained ascendency in China, they established a patron-priest relationship with the Dalai Lama. Since the Manchus accepted Lamaist Buddhism, they recognized the spiritual authority of the Dalai Lama and offered their lay support. At no time could one properly infer that this relationship signified political subordination to China. Until 1951, no treaty ever existed by which Tibet recognized China as overlord or any hard evidence to substantiate such a claim. However, by muddling the water over Tibet's historical status, sufficient ambiguity fermented in Western intellectual-

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political circles to prevent historical facts from interfering with current diplomatic exigencies.

Due to the power vacuum created by the British abdication of India in 1947, Tibet entered an uncertain and precarious era. Though wary of India's resolve, Tibet accepted the transference of its extra-territorial relationship with Britain to India. India became bound by the 1914 Simla Convention which also established the Tibetan-Indian frontier. Meanwhile, the triumphant Maoist regime in China initiated an intense propaganda campaign against India. On August 19, 1949, Chang Chi-Cheng wrote:

> . . . because the people's revolution in China is about to achieve complete victory against imperialism on the part of the peoples of Indonesia and other oppressed nations in Southeast Asia will be encouraged. The imperialists consider it necessary therefore to construct a dyke against this surging force and the dyke consists of support for nationalism against communism. In India, its support is for Nehru.(4)

The Communist Chinese attitude toward Tibet was delineated on September 19, 1949:

> . . . the fact that Anglo-American imperialist designs for the annexation of Tibet are being carried out through the hands of Nehru of India is especially of great educational significance to the peoples of China and Southeast Asia . . . Nehru, riding behind the imperialists whose stooge he is, actually considers himself the leader of the Asian peoples. Into his slavish and bourgeoise reactionary character has now been instilled the beastly ambition for aggression, and now he thinks that his role as a hireling of imperialism makes him an imperialist himself. He has announced that Bhutan is an Indian protectorate and now proceeds to declare that 'Tibet has never acknowledged China's suzerainty' in order to carry out his plot to create incidents in Tibet . . . Furthermore, Nehru, to curry favor with his masters, the Anglo-American imperialists, is placing himself fully at their disposal and shamelessly holds himself at the pillar of the anti-communist movement in Asia . . . up to the recent act of Nehru in serving as a hireling of Anglo-American imperialism in the attempt to invade Tibet, New Delhi has consistently served as a center of imperialist intrigues for the obstruction and

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> undermining of the people's liberation movements of Asia.(5)

This claim of intrigue would function as a pretext for Communist Chinese military intervention. Actually, in January 1950, only three British citizens and two Americans, Lowell Thomas and his son, were in the entirety of Tibet. Rather than frankly defending India's inherited interest in Tibet and dismissing the Chinese conspiratorial thesis, Nehru bent backwards to remove all Chinese suspicions and reduce tensions. If only for Tibet's sake, Nehru had fulfilled the Chinese caricature! Nehru's democratic statecraft regarding Tibet would mirror in many respects the United States' emerging posture over Taiwan. According to apologists for Communist China, Chinese truculence merely indicates how deeply they are humiliated historically by the loss of traditional territories. As such it requires a conciliatory policy to assuage these psychic wounds and restore Chinese national pride.

China Isolates Tibet

The Communist Chinese realized early that India could become its great rival in Asia and Africa. By unmasking Nehru as a "colonialist puppet," not only his pretence of being a spokesman for the emerging Third World but his legitimacy as an Indian nationalist would be undermined. Actually, Nehru adopted a diplomatic agenda which was both anti-colonialist and anti-capitalist. He blurred the distinction between nationalism in Asia and communism in China; they were part of the same struggle between colonialism vs. anti-colonialism.(6) Nehru played a major role in removing Dutch colonialism from Indonesia in 1949. He railed against the French presence in Indochina and American military installations in Asia. However, Mao Tse-tung characterized Nehru's claim to neutralism in these terms:

> . . . to sit on the fence is impossible, a third road does not exist . . . Not only in China, but also in the world, without exception, one either leans to the side of imperialism or the side of socialism. Neutrality is a camouflage and the third road does not exist.(7)

How could the "Spirit of Bandung" blossom in this atmosphere of distrust? Despite such ideological differences which Nehru would attenuate to mere "misunderstandings," India actively courted the favor of Communist China.

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The Communist Chinese clearly recognized the strategic significance of Tibet. An article entitled, "An Exposure of Imperialist Intrigues for Aggression in Tibet," contended:

> . . . they [the imperialists] hope to use India as their Asian base to resist the new democracies in Asia. Tibet is a natural barrier to India. They have earmarked Tibet like Taiwan as part of their defense system. To preserve their rule over India, they must control Tibet. This is the real purpose of imperialism.(8)

On October 19, 1949, Mao announced his support for the Indian Communist Party to liberate India from "the yoke of imperialism and its collaborators." After their success in Shensi province, Peking hardly concealed their intent to use Tibet as a base of operations against India. On August 8, 1949, India signed a treaty with Bhutan, followed by one with Sikkim (December 5, 1950), and Nepal (July 1, 1951).(9) Like Tibet, India inherited special rights in these principalities from the British. The treaties can be interpreted two ways: 1) India securing protectorates for the next treaty with Tibet (China's view), or 2) India preparing its northern frontier defenses while conceding Tibet to the Chinese. However, one suspects that India might have even sacrificed these countries in order to avoid war and nurture good-will with China. When the ruler of Bhutan went to New Delhi to obtain a defense agreement in writing, the Indian Government refused to sign again.(10) L.C. Sulzberger wrote: "all China needs to accomplish for the disruption of India and outflanking of SEATO is to establish hegemony over one of the little protectorates south of the Himalayas – once that is done India becomes indefensible."(11) After the 1962 Sino-Indian Border War, this strategic lesson was brought home to roost among Indian defense experts.

On December 30, 1949, India became the second country to recognize Communist China and advocated its seating in the United Nations Security Council. In early January 1950, Marshall Chu Teh, Vice-Chairman of the People's Republic, announced the "liberation of Tibet." Mao Tse-tung spoke of the forthcoming invasion of Tibet in June, 1950.(12) As the Chinese built up troop concentrations along the West China border, George Patterson, a British missionary in the area, went to Delhi to inform India of China's impending plans. K.M. Panikkar, Indian Ambassador to China, disclaimed such

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information, contending that any troop movements in West China were only normal precautions to protect their frontier against western aggression [by whom?] and that China had more than enough problems to keep her occupied internally for the next ten years.(13) On August 22, 1950, Panikkar met Chou En-lai. "I expressed hopes," he wrote, "that they [the Chinese] would follow a policy of peace in regard to Tibet. Chou En-lai replied that the liberation of Tibet was a 'sacred duty.' His government was anxious to secure their ends by negotiations and not by military action."(14) During the middle of 1950, Indian policy on Tibet tilted toward abandonment. Nehru's two chief advisors on foreign policy were accommodationists: Krishna Menon and K.M. Panikkar. In early August, 1950, Panikkar revealed that:

> . . . the only area where our [Chinese and Indian] interests overlapped was in Tibet and . . . I have, even before I started for Peking, come to the conclusion that the British policy (which we were supposed to have inherited) of looking upon Tibet as an area in which we had special interests, could not be maintained. The Prime Minister also agreed in principle with this view.(15)

It is interesting to reflect that the Taiwan problem today is often represented to be the only annoying obstacle to the full normalization of relations between the United States and the People's Republic of China!

In June, 1950, the Korean War broke out. Nehru supported the U.N. resolution branding North Korea as the aggressor. Then, he decided to play the role of mediator in this conflict and actively cultivated the friendship of Communist leaders. Nehru's call for a negotiated cease-fire received strong support from many neutralist countries and temporarily inflated his image as a world statesman. When the Red Chinese became indignant over the advance of U.N. forces, Nehru quickly identified himself with their claim that crossing the 38th Parallel amounted to a direct threat to the security of China. Under these conditions, Peking's introduction of troops in North Korea was deemed an act of self-defense. He felt that no purpose would be served by branding China as the aggressor – it would only enhance tensions.(16)

China Invades Tibet

Nehru declined to see any possible connection between the

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Korean War and the invasion of Tibet as part of a scheme to extend communism throughout Asia. The Chinese intervened in Korea on November 1, 1950, while their first official press reports of the Tibetan invasion appeared on October 26th. Military action actually commenced in Tibet on October 7th; Tibet's isolation kept this fact hidden from the world. Utilizing the tactic of divide and conquer, the Chinese co-opted the Panchen Lama, second highest religious figure in Tibet, to serve as a puppet. They further exploited the internal hostility between the Khampa tribesmen of eastern Tibet, always fiercely independent, and the central government in Lhasa. With the world's eyes focused on Korea, the 35,000 man Chinese army met little effective resistance from a primitively equipped Tibetan army of 8,500 troops. To reflect again on the Taiwanese situation, Communist efforts to nurture dissension between the native Taiwanese and the Chinese population have been amply documented.

While the Indian Government had unsuccessfully tried to sponsor a negotiated peace between the Tibetans and the Chinese, it discounted all reports of the Chinese invasion. As late as October 12, 1950, *The New Statesman* (Calcutta) published a detailed report on the invasion which was characterized by Indian officials as "a hotch potch story based on caravan stories."(18) On October 21st, the Indian Government sent a communique to Peking which adopted the weakest possible line: "they [India] feel that an incautious move at the present time even in a matter within its own sphere will be used by those who are unfriendly to China to prejudice China's case in the United Nations and generally before neutral opinion . . . the opponents of China's admission are now given a chance to misrepresent China's peaceful aims."(18) Ironically, this message was sent just days before Peking went to battle against U.N. forces in Korea. After China's official announcement of the Tibetan invasion, India sent another note more anxious in tone. It mentioned previous Chinese assurances of peaceful resolution of the dispute and regarded the invasion as "surprising and regrettable."(19) The Chinese reply on October 30th, punctured the flowerly diplomatic subterfuge. Peking bluntly declared,

> Tibet is an integral part of Chinese territory and the problem of Tibet is entirely a domestic problem of China. The Chinese People's Liberation Army must enter Tibet,

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liberate the Tibetan people, and defend the frontiers of China. (20)

The memorandum contended that India must be affected by foreign influences hostile to China in Tibet, which renewed the Peking line that India still remained a colony. China issued a strong warning that "no foreign influence would be tolerated." In asserting its national interests, China was not deterred by the immediate impact on world opinion.

Humiliated by the general recognition that India would not protect Asian nations against Chinese communist aggression, irritated over the allegation that India was still a colonial puppet, and reacting to a wave of Indian public sympathy for Tibet, the Indian Government reasserted its prerogatives under the Simla Convention. New Delhi reaffirmed the possibility of peaceful negotiations adjusting "the legitimate Tibetan claim to autonomy within the framework of Chinese suzerainty." India described Tibetan autonomy as a fact and said the Indian Government's suggestion to China was not "unwarranted interference" but "well-meant advice from a friendly government." The Indian message stated that the Tibetan Government accepted their advice to send a delegation to Peking and that Peking had given assurances of a peaceful settlement. Under these circumstances, the surprise of the Indian Government was all the greater when they learned that military operations had been undertaken by the Chinese with no proof of provocation or any resort to non-peaceful methods by the Tibetans. The message stated that it would not advise the Tibetan delegation to proceed to Peking unless Chinese troops halted their advance. China was accused of adding to world tensions and the general drift toward war. India also mentioned certain historical rights in Tibet which had "grown out of usage and agreements." When the Chinese translated this note, they substituted the word "sovereignty" in every instance where "suzerainty" was employed. One might also note that in condemning the Chinese action Delhi did not demand that Chinese troops be removed from Tibet, only that their advance be halted.

Waiting two weeks to respond to India's harsh note, the Chinese were in no mood to be solicitous to Delhi's moral appeal and sweet reasonableness. They reiterated the accusation that India was trying to "obstruct exercise of its sovereign rights" when the Chinese "began to liberate the Tibetan people and drive out foreign forces and influences to ensure that the

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Tibetan people will be free from aggression and will realize regional autonomy and religious freedom."(21) Discussing the timing of the peace negotiations, the Chinese stated that they wanted the Tibetan delegation to arrive in Peking by mid-September, but the Tibetans were delayed by outside instigation. Of course, synchronizing with the presence of Chinese troops, these negotiations would be conducted from a position of military strength. The Chinese referred to Indian rights in Tibet as commercial and cultural, not political. In baldly restating that Tibet was an integral part of China, Peking noted that the Indian Government had previously recognized this in its "aide memoire" to the Chinese on August 26, 1950. This Indian memorandum provided the Chinese with the diplomatic green light to dispose of the Tibetan problem without any fear of Indian retaliation.

India, the U.N. and the West Abandon Tibet

The Indian recognition of Chinese "sovereignty" in Tibet on August 26, 1950 was a position which neither the British nor Indian governments had ever granted to China. P.M. Panikkar who drafted the August 26th note described it as follows:

> . . . the fat was on the fire. The Government of India was troubled about the Chinese action on the Tibetan borders and I received instructions to lodge a strong protest. The Chinese reply was equally strong. It practically accused India of having been influenced by the imperialists, and claimed that China had not taken any military action but was determined to liberate Tibet by peaceful means. Our rejoinder, though couched in equally strong words, recognized Chinese sovereignty over Tibet and disclaimed all desire to intervene in its affairs and emphasized once again our desire that the issue between the Tibetans and the Chinese should be decided peacefully and not by use of force. Both parties had made their point of view clear, and were content to let it rest there.(22)

By conceding Chinese sovereignty over Tibet, India's wishful talk of a peaceful resolution was without legal footing, reduced in Chinese eyes to toothless internal meddling. H.E. Richardson observed that, "it seems improbable that they [Government of India] should have authorized their Ambassador to use the word 'sovereignty'"(23) Yet, the Indian Government never repudiated Panikkar's statement and he remained Ambassador

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to China. At the end of November, 1950, an Indian official spokesman awkwardly contended that the phrase "autonomy within the framework of Chinese suzerainty" meant the same as "autonomy within the framework of Chinese sovereignty."(24)

The Chinese sought to synchronize carefully their military and diplomatic offensive regarding Tibet. The Red Army desired to enter Tibet before the winter snows. By quartering a Tibetan delegation in Peking at the same time under the shadow of bayonets, they could apply the coercion mandated for a favorable settlement, i.e. terms of surrender. The Chinese seemed willing to offer cosmetic concessions to India, including certain trading rights in Tibet.(25) China allowed Nehru a face-saving device to salvage his reputation as peacemaker by agreeing not to advance further into Tibet for six months – a decent interval. In addition to the weather and terrain, the Chinese would have hesitated anyway in order to survey world reactions, patiently and quietly assuming control as well as building roads. Along with these conciliatory gestures, the Chinese employed another form of intimidation – cartographical aggression. On November 20, 1950, Nehru was shown Chinese maps which displayed huge chunks of Indian territory as parts of China. Nehru stated, "the McMahon Line is our boundary, map or no map. We will not allow anybody across that boundary."(26) The McMahon Line was established by the same 1914 Simla Convention which acknowledged Tibet's treaty-making powers and "de facto" independence. Nehru could not consistently accept Chinese sovereignty over Tibet and also defend the McMahon Line. In 1962, Nehru's indiscretion would re-emerge as his China policy crumbled under the weight of the Red Chinese Army.

On November 7, 1950, Tibet appealed to the United Nations, accusing the Chinese of clear aggression. Lhasa wanted India to sponsor her case. India informed Tibet that she might appeal directly to the U.N. and that India would support her to the extent of chastising the Chinese for employing force.(27) The British, who helped to create Tibet's international status, claimed ignorance of the current situation in Tibet as well as ambiguity about Tibet's historical status. Britain proposed that the Tibetan complaint be postponed. Jan Sahib, the Indian delegate, declared that he "was certain that the Tibetan situation could still be settled by peaceful means, and that such a settlement could safeguard the autonomy which Tibet had enjoyed

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for several decades while maintaining its historical association with China . . . In the Peking Government's latest note to the people of India, they have stated that they have not given up the desire for settling the problem peacefully."(28) Instead of supporting Tibet's appeal, Britain and India conspired to obstruct it. The Indians backed out of their agreement with Tibet because they were fearful of the prospect of a general war spreading from Korea and didn't want to inflame hostilities by condemning Red China at the U.N.(29) On December 11, 1950, Tibet sent out its last agonized telegram to the U.N. asking for a fact-finding commission to be despatched to Tibet. They received no reply.

Did India have any viable options in its Tibetan policy? Plagued by internal turmoil, India was confronted with religious strife, a localized war in Kashmir, insurrection in Hyderabad, six million refugees from partition, and economic scarcity. Despite this instability, New Delhi limited its defense budget to 1.5% of the Gross National Product. Inheriting a phobic Gandhian taboo against military force, Nehru melded this physical powerlessness with high-sounding rhetoric about human rights. He pledged in 1949,

> . . . we are neither blind to reality nor do we propose to acquiesce in any challenge to man's freedom from whatever quarter it may come. Where freedom is menaced or justice threatened or where aggression takes place, we cannot and shall not be neutral.(29)

In a heated debate over Tibet in the Indian Parliament (December 7, 1950), Nehru responded to his critics:

> . . . the point at issue is that China is a great nation which cannot be ignored, no matter what resolution you may pass . . . You cannot condemn or ignore the whole nation just because you do not approve of some aspect . . . Professor Ranga seems to have been displeased at my occasional reference to Chinese sovereignty over Tibet. Please note that I used the word suzerainty, not sovereignty. There is a slight difference, though not much. I was telling the House about a historical fact . . . The real point to be made is that it is not right for any country to talk about its sovereignty or suzerainty over an area outside its own immediate range. That is to say, since Tibet is not the same as China, it should ultimately be the wishes of the people of Tibet that should prevail and not any legal or constitu-

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> tional arguments. That is, I think, a valid point. Whether the people of Tibet are strong enough, or any other country is strong enough, to see that this done is also another matter. But it is a right and proper thing to say, and I see no difficulty in saying to the Chinese Government, that whether they have suzerainty over Tibet or sovereignty over Tibet, surely according to any principles, the principles they proclaim and the principles I uphold, the last voice in regard to Tibet should be the voice of the people of Tibet and nobody else.(30)

Nehru's speech epitomizes a radical cleavage between idealistic moralism and realpolitik which ultimately collapses into a policy of appeasement grounded in the recognition of military weakness. Indian historian, C.N. Satypalan, concluded that, "overawed by Chinese military power, the Government of India decided to use Tibet as a pawn to win Chinese friendship and hope for the best."(31)

Among its options, India could have removed Tibet from its position of isolation within the international community between 1947 and 1949. The Chinese were engaged in a civil war and hardly could have intervened. Second, while India was comparatively weak, China was also embroiled in the Korean War. Tibet and Nepal maintained a mutual defense treaty since 1856; the fear of Nepal sending Gurkha troops to resist Chinese aggression, coupled with at least uncertainty about India's role, may have deterred the Chinese. India could have also appealed for military aid from the United States and Britain. However, such aid would have jeopardized its cherished role of non-alignment. Nonetheless, the grim prospect of a two-front war might have given the Chinese cause for restraint. Third, India could have provided Tibet with strong diplomatic support by defending the Simla Conference and Tibet before the world. At the United Nations, India might have supported a fact-finding committee when China was uncertain of the West's political response. Instead, in order to avoid war at all costs, Delhi sacrificed an unarmed neighbor and gratuitously squandered a vital interest. Allowing for India's political disarray, much of its diplomatic/military paralysis was self-imposed.

Under the spectre of Chinese occupational forces, a 1951 Sino-Tibetan Agreement formally incorporated Tibet into China. Articles from this agreement appeared to protect Tibetan autonomy through a pledge not to alter Tibet's political system,

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the powers of the Dalai Lama, or Tibetan religious customs and institutions. However, the document also dissolved the Tibetan army, provided unrestricted entry of Chinese troops, and abrogated all Indian rights under the 1914 Simla Convention. China quickly consolidated its military position with new troops, road construction, and building air-strips. This agreement was hailed by Nehru as a victory for his diplomacy, concrete evidence of Chinese moderation and civility. In 1954, the Sino-Indian Agreement ratified clear Chinese sovereignty over Tibet. At the Bandung Conference (1954), Nehru pledged again to refrain from interference in China's internal affairs. His "Five Principles of Peaceful Cooperation" concluded, "by this agreement we ensure peace to a very large extent in a certain area of Asia. I would earnestly wish that this area of peace would be spread over the rest of Asia and indeed over the rest of the world."(33) The price of this fleeting aura of peace was a death certificate for Tibet.

After consolidating its legal and military control of Tibet, the Chinese instituted a protracted program to liquidate the economic, political, and religious customs of Tibet. With violations to earlier guarantees of Tibetan autonomy, hostility mounted until in 1958 Khampa tribesmen revolted against Chinese rule. Under the threat of arrest, the Dalai Lama fled to exile in India. Initially, Nehru downplayed the violence in Tibet, terming it a clash of wills not arms. Delhi imposed strict news censorship over the Tibetan crisis in an effort to conciliate China. An estimated 180,000 Chinese troops suppressed the revolt. Meanwhile, Peking circulated dispatches revealing how corrupt feudal Tibetan landlords had oppressed the peasants and how the monasteries drained resources by exploiting the superstitions of the masses. Chinese "reforms" were adorned with a humanitarian progressive image.

Against the wishes of the Indian Government, The Dalai Lama appealed directly to the United Nations. Krishna Menon, India's representative, asserted, "the Government of India does not approve, does not support, the discussion of this question at the U.N. . . Tibet was part of the great changes that were taking place in the world and although India would have preferred those changes take place more peacefully, there was no point in stressing them too much."(33) Menon held that discussing Tibet at the United Nations would only make matters worse for the Tibetans.

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Two former American ambassadors to India, Senator John Sherman Cooper and Congressman Chester Bowles, echoed Menon's approach. Cooper declared,

> . . . the worst thing the United States could do would be to try to place this [Tibetan crisis] within the context of the cold war. If we do that it will make it very difficult for Asian leaders to speak to their own people. (34)

Chester Bowles reiterated that, "the worst thing our Voice of America and other propaganda organs could do would be to claim these people [Tibetans] as our allies." Averill Harriman cautioned the United States about taking any precipitous action which might help Communist China escape from Indian indignation – it was for Asian nations to take a strong stand. Hence, the United States could remain unentangled by categorizing the issue as an Asian affair or domestic internal dispute about which it should maintain a discrete distance.

The World Awakes – But Too Late

In 1959, the International Commission of Jurists found Communist China guilty of genocide against the Tibetan people. (35) The documented atrocities included forced intermarriage, destruction of the monasteries and religious life, slave labor and widespread starvation among the Tibetans. The establishment of communes was complemented by nightly indoctrination meetings. After the 1962 Sino-Indian Border War, India's U.N. delegate reversed its Tibet policy, accusing China of committing the worst kind of genocide which "surpasses anything the colonialists have done in the past to the people they have ruled and enslaved."(36) On a China tour in 1976 with Secretary of Defense James Schlesinger, Edward Luttwak remarked, "the Chinese obviously see no virtue in the survival of local culture and still less in the survival of local religion. Chinese colonalism is therefore oppressive not merely politically but also culturally."(28) Actually, after the U.N. Commission's report, China's most intense efforts to Sinicanize Tibet wholesale transpired during the Cultural Revolution. Not only the Red Guards but a new class of Chinese bureaucrats descended upon Tibet in an effort to obliterate the lingering remnants of native culture.

With the Soviet invasion of Afghanistan, Tibet has assumed heightened strategic significance for China. They have increased their troop strength to 300,000, constructed twenty new air bases in southern Tibet, and deployed medium range ballistic

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missiles (1,500 miles) in western Tibet in order to reach targets in the Soviet Union. In addition, some Chinese nuclear installations have been shifted from Sinkiang to more defensible areas in Tibet. As an adjunct to a possible confrontation with Russia, Tibet is instrumental for the defense of Sinkiang where the Soviet Union has actively attempted to reach a restive Chinese-controlled Moslem population. On June 12, 1979, the Soviet Union gave the Dalai Lama an official reception in Moscow. Soviet annexation of Sinkiang and Tibet would meld with a policy of forging a ring of states in Central Asia (Tibet, Mongolia, Afghanistan) like those of Eastern Europe, expanding Soviet Communist power at the expense of Chinese Communist power. Some evidence of Soviet contact with Tibetan guerillas has already surfaced.(38) The Soviets officially deny that Tibet is part of China.

In 1980, Teng Hsiao-ping admitted that Chinese strong-armed tactics had failed in Tibet, as an element in his more general critique of Mao Tse-tung's policies.(39) Some monasteries were re-opened, refugees were allowed to visit their families, and some despised bureaucrats were removed.(39) In an effort to erase the shadow of Tibet from the warming of Sino-American rapprochement, many Western observers have praised effusively these developments. While grimly recounting the plight of Tibet under Mao's regime, Harrison Salisbury described the new policy as "Tibet for the Tibetans," where "everything done by the Chinese was being undone." Chinese cadres were leaving, desecrated temples re-opened, private trade flourished, and hopes raised that the Dalai Lama would soon return from exile. Salisbury held that a return might ease the burden of the Tibetan population.(40) Depicting traditional Tibet as an autocratic anomaly in the modern world, David Broder praised Communist rule for making Tibet almost self-sufficient in food. George Bush noted that the Chinese government maintained a gruesome historical museum in Lhasa designed to show tourists how peasants' hands were severed and children buried alive in the old regime. He parroted the Chinese line that the Dalai Lama instigated the 1958 revolt; it was not a popular uprising led by Khampa tribesmen. Introducing the "New Tibet," Bush contended that "the Chinese seem justifiably proud of their economic achievements."(41) But although the yoke of Chinese repression was eased temporarily, a new wave of persecution has since been unleashed with over

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2,500 political prisoners rounded up and removed to forced labor camps. Perhaps, the Chinese policy was designed to reinforce the modernization program, flushing out dissenting Tibetan nationalists, as in 1956 the "100 Flowers Campaign" had done in China itself. The Dalai Lama now vows to return only after an internationally supervised plebescite is held in Tibet.

The Threat to Taiwan – A Repetition of Tibet?

Obvious differences exist between the historical predicament of Tibet and Taiwan. 1) Taiwan possesses a dynamic capitalist economy with a 7% growth rate and a per capita income which is ten times that of mainland China. The communists would have difficulty sustaining the argument that they would bring economic modernization to the island. 2) Taiwan is not isolated economically since it is America's sixth largest trading partner. American businessmen are continuing to invest heavily in Taiwan despite the state of purgatory of the 1954 defense treaty with the United States. 3) With a population of 18.5 million and a modern army of 464,000 men, Taiwan currently has the capacity to tax tremendously Communist China's military resources if it were to launch a non-nuclear attack. Hence, Peking's initiatives have to date focused on isolating Taiwan economically, diplomatically, and militarily from its potential allies. 4) Taiwan continues to attract strong congressional and public support in the United States, and any final Presidential initiative to sacrifice Taiwan's political freedom would surely spark a political firestorm. (42)

However, since the Presidency of Richard Nixon launched the gambit toward normalization of relations with the People's Republic of China, both the Ford and Carter administrations promoted this policy which has not been reversed by the Reagan administration. Nixon appeared to be convinced that the Soviet Union was the prime strategic threat to both the United States and China, and that a common enemy required appropriate military/political coordination between the threatened countries. During the Vietnam era, Nixon had concluded that the American people apparently lacked the willpower to do what was necessary in order to protect themselves from the Soviet threat. To his thinking, this democratic incapacity to confront strategic reality mandated détente with China. Nixon publicly adopted a two-China ploy at the United Nations which

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he knew would fail; his hidden agenda became transparent in the Shanghai Communique (1972). This document avowed that "there is but one China and Taiwan is a part of China." Termination of all American security arrangements with Taiwan is the non-negotiable price for normalizing relations. Despite American wishes that the Taiwan issue be resolved peacefully, the Communist Chinese refuse to renounce the use of force in 'liberating' Taiwan.

The Carter administration foreign policy mirrored the Nehru style of democratic diplomacy. At least before the Afghan invasion, when Carter admitted that he had misjudged Soviet peaceful intentions (like the 1962 Sino-Indian Border War), Carter selectively employed an appeal to human rights while at the same time disavowing the exercise of American military power abroad as part of the lesson of Vietnam. Nehru railed against 'Western colonialism' but remained mute about Soviet colonialism during the Hungarian uprising or Chinese colonialism. Secretary of State Cyrus Vance visited Peking in 1977, urging the Chinese to use gentlemanly discretion regarding Taiwan. However, the People's Republic of China demanded a free hand in Taiwan and defiantly treated the issue as a strictly domestic political question. On December 15, 1978, Taiwan was officially derecognized by President Carter. Former Ambassador U. Alexis Johnson contended, "that problem [Taiwan] can be peacefully resolved over a period of time by the pragmatic good sense of the Chinese themselves. I entirely agree that the United States should not take actions that would favor or disfavor one party over the other."(43) This moral neutrality is a conceptual pre-requisite for American evasion of any lingering responsibility toward the continued freedom of Taiwan. A corollary of this posture highlights the new moderation of the post-Mao regime. Self-imposed silence about the absence of human rights on the mainland necessarily follows. The Carter administration was reluctant to allow the Dalai Lama visitation rights to the United States for fear this might antagonize the Chinese. Carter's policy was grounded on the expectation that Taiwan and Peking could amicably negotiate a settlement. Robert Scalapino remarked that this effort to pressure Taiwan to the negotiating table could only result in a repetition of the Paris Peace Accords, i.e. negotiating terms of surrender.(44)

Why would the Chinese Communists, with forty-five Soviet

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divisions on their border, persist in attempting to establish sovereignty over Taiwan? The answer is that, while not a direct military threat, Taiwan's very existence as a successful prosperous capitalist society jeopardizes the legitimacy of the People's Republic of China, exposing its comparative deficiencies before the world and reminding the world of the bloody civil war through which the Communists achieved power on the mainland. Acceptance of Taiwan's independence by Peking can be viewed as a litmus test of the degree to which they have forsaken Maoist ideology in favor of pragmatism.

In what ways have the Communist Chinese applied the successful tactics of the Tibetan liberation to the Taiwan problem?

1) They have attempted to isolate Taiwan economically, militarily, and diplomatically from its allies. The Chinese effectively cut off the small flow of arms from India to Tibet before 1950 by claiming an Indian plot to conquer Tibet. Meanwhile, the United States has erected obstacles to Taiwan's efforts to modernize its defense forces.

2) Like Nehru's approach to Tibet, the Chinese have effectively obtained acknowledgement by Taiwan's major ally, the United States, that Taiwan is part of China. This was accomplished in an intimidating atmosphere of unrelenting propaganda against both India and the United States. The Chinese refuse to compromise on policy goals while offering the prospect of trade inducements to India and the United States.

3) In 1980, Deng Xiaoping outlined a nine-point program for Taiwan's readmission into China, even allowing Taipei to maintain its own army. Like the 1951 Sino-Tibetan Treaty, the Chinese are quite willing to compromise initially while gradually reforming these concessions out of existence. A patient policy capitalizes upon the most propitious circumstances to reach their policy objective. They utilize outside pressure in order to induce their adversaries to the negotiating table. In Western circles, refusal to commit to the process of negotiation about virtually any topic is branded "undemocratic behavior." Such intransigence offers further cause for withdrawal of diplomatic/military support.

4) From both Taiwan and Tibet, Peking has invited refugees back to the mainland for family visitation. This promotes a wistful longing for reunification and is perceived as an added indication of Chinese moderation.

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5) Through government censorship and willful self-deception, Western journalists embellish China's international image. The regime's totalitarian features are overlooked while economic progress (tinted with capitalist experimentation), solidarity and cordiality of the masses, and new pragmatism are emphasized.

While Tibet was constrained to rely almost exclusively upon the moral sympathy of world opinion, Taiwan possesses substantial military and economic assets, in addition to being more defensible as an island. However, reliance upon the continued good-will of other nations for survival remains the essence of strategic vulnerability. Dependence upon the shifting tide of American presidential politics does not insure long-range security, even if Taiwan is demonstrably a vital strategic link in the American defense perimeter in Asia. Finally, the ultimate political lesson to be learned from Communist China's seizure of Tibet is that nations have the choice between modernizing themselves militarily, or of being modernized forcibly by alien occupation forces. Even, Tibet, long protected by its geographical remoteness, could not escape that iron law.

FOOTNOTES

(1) Barbara Slavin, "China Tries Soft Sell in Tibet," *Business Week* (September 5, 1983): 52.

(2) Hugh Richardson, *A Short History of Tibet* (New York: Dutton, 1962), p. 187. M.C. Walt van Pragg stated, ". . . it is undisputed that the history of Tibet is that of one nation which at the very least kept its de facto independence at all times before 1949." M.C. Walt van Pragg, *Tibet and the Right of Self-Determination* (New Delhi: Information Office, Central Tibetan Scretariat, 1979), p. 23. Under international law, a suzerain state acts as an international guardian while the vassal state is given internal autonomy or self-governance. With world politics closing in on Tibet, the Dalai Lama in 1910 asked the British to take Tibet under British protection on the same basis as the Indian princely states. Contrary to charges of British imperialism laid against him, Lord Curzon, Viceroy of India, stated that the British didn't want Tibet and preferred to have the Chinese protect it against Russia as a northern buffer for India. Curzon regarded suzerainty of China over Tibet to be a "constitutional fiction," not actual control, utilized only for the convenience of both the British and the Chinese. See Alfred P. Rubin, "The Position of Tibet in International Law," *China Quarterly* (1968): 142. Van Eckelen, "Simla Conference and the McMahon Line," *Asian Affairs* (1967): 179.

(3) See Jin Zhou, *Tibet, No Longer Medieval* (Beijing: Foreign Language Press, 1981), 176 pp.

(4) George Patterson, *Peking vs. Delhi* (New York: Praeger, 1964), p. 56.

(5) Guilal Jain, *Pancheela and After* (New York: Asia Publishing House, 1961), Ch. I.

(6) Patterson, p. 283.

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(7) Jain, p. 5.
(8) *The Communist* (January, 1950), p. 1.
(9) Patterson, p. 135.
(10) Patterson, p. 218.
(11) *New York Times* (21 February 1955), p. 20.
(12) Jain, p. 44.
(13) Patterson, *Tibet in Revolt* (London: Faber & Faber, 1960), p. 64.
(14) K.M. Panikkar, *In Two Chinas* (London: Allen & Unwin, 1955), p. 105.
(15) Panikkar, p. 102.
(16) D.C. Chakravarti, *India's China Policy* (Bloomington: Indiana University Press, 1962), p. 45.
(17) Chakravarti, p. 29.
(18) Chanakya Sen, *Tibet Disappears* (London: Asia Publishing House, 1960), p. 71.
(19) Sen, p. 71.
(20) Sen, p. 71.
(21) Sen, p. 75.
(22) Panikkar, p. 112.
(23) Richardson, pp. 181-182.
(24) Jain, p. 50.
(25) Jain, p. 50.
(26) Chakravarti, p. 42.
(27) Sen, p. 94.
(28) Charavarti, p. 33.
(29) *Jawahadah Nehru's Speeches (1949-1963)* (New Delhi: Ministry of Information, 1963), p. 125. Nehru also proclaimed, "during the Czechoslavak crisis what I saw of Franco-British statesmanship in Prague and in the Suedetenland, in London and Paris and Geneva, where the League Assembly was then sitting, amazed and disgusted me. Appeasement seemed to be a feeble word for it. There was behind it not only a fear of Hitler but a sneaking admiration of him." Nehru, *The Discovery of India* (Garden City, New York: Doubleday, 1960), p. 4.
(30) Chakravarti, p. 39. Nehru maintained, "we further said that we are anxious that Tibet should maintain the autonomy it has had for at least forty years. We did not challenge or deny the suzerainty of China over Tibet . . . they always said that they would like very much to settle the question peacefully, but they were, in any event, going to liberate Tibet. From whom they were going to liberate Tibet is, however, not quite clear. They gave us to understand that a peaceful solution would be found, though I must say that they gave us no assurance or guarantee to that effect . . . There is little doubt that during the last weeks they have checked their main advance . . ." Nehru implies that his diplomacy moderated Chinese behavior and that the Chinese never really broke their word about Tibet, since they didn't commit themselves to employing peaceful methods exclusively.
(31) C.N. Satypalan, "The Sino-Indian Border Conflict," *Orbis* (1964-65): 336. See Chakravarti, "India and the Tibetan Question," *International Studies* (1968-69): 447. R. Sawhny, "China's Control of Tibet and Its Implications for India's Defense," *International Studies* (1968-69): 486-494.
(32) Jyotin Mitter, *The Betrayal of Tibet* (Bombay: Allied Publishers Private, 1964), p. 78.
(33) Chakravarti, p. 32.
(34) B.K. Shirvastava, "American Public Opinion and the Tibetan Question," *International Studies* (1968-69): 584-602.
(35) International Commission of Jurists, *The Question of Tibet and the Rule of Law* (Geneva: U.N. Publishing House, 1959), 208 pp. See R.P. Anand, "The Status of Tibet Under International Law," *China Quarterly* (1968): 426.
(36) Chanakya Sen, "Tibet and the Sino-Indian Impasse," *International Studies* (1968-69): 553.

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(37) Edward Luttwak, "Seeing China Plain," *Commentary* (December, 1976): 33. See Luttwak, "Tibetan Interlude," *Tibetan Review* (April, 1977–: 33-38. R.N. Subramanian, "Missiles in Tibet?" *Tibetan Review* (May, 1982): 21-22.

(38) "Tibetan Exiles Reject Soviet Arms Aid Offer," *Tibetan Review* (September, 1982): 192.

(39) Slavin, p. 53.

(40) Harrison Salisbury, "Hell-And-Hope in Shangri-La," *Readers' Digest* (December, 1981): 201-208.

(41) *Glimpses of Tibet Today* (India: Information Office of the Dalai Lama, 1978), p. 90.

(42) See David Nelson Rowe, *U.S. China Policy Today* (Washington, D.C.: U.P.A.O. Press, 1979), 106 pp.

(43) Rowe, p. 67. *New York Times* (23 October 1977), p. 18.

(44) Rowe, p. 61. The Chinese generally allow only sympathetic journalists. Neville Maxwell, for example, insisted that the Tibetans celebrated their real independence in 1959, not 1950, because they were liberated in 1959 from the yoke of the exploitative rule of Tibet's monasteries. See Maxwell, *New York Times* (8 July 1976), p. 14. See also Simon Leys, *Chinese Shadows* (New York: Penguin Books, 1978), 220 pp.

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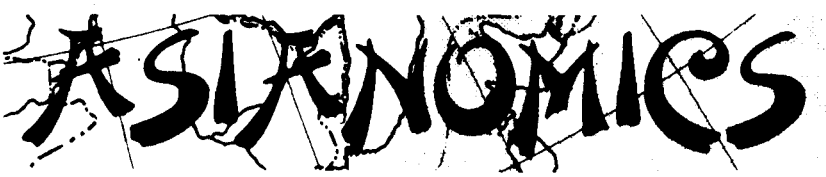

CHALLENGE AND CHANGE IN NORTHEAST ASIA

By Dr. Donald J. Senese

The author is a former Associate Professor of history who has taught the history of China, Japan and Korea. A traveller and writer on Asian events, he is a member of the Intercollegiate Studies Institute, University Professor for Academic Order, the American Council for Free Asia, the Japan-America Society and the Conservative Historians' Forum. His book MODERNIZING THE CHINESE DRAGON received a book recognition award from the Freedoms Foundation, Valley Forge, Pennsylvania.

INTRODUCTION BY REPRESENTATIVE JACK F. KEMP

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TRADE POLICIES IN THE PRC

By Donald Senese

China has actively courted other nations to attract foreign trade and foreign investments as part of its "Four Modernizations" program. Despite discussions in texts and speeches about the operation of the market system in China, including activities promoting some decentralized foreign trade decision-making, foreign trade in China is still very much a state monopoly. Projects which receive the highest priority are those most likely to advance China's modernization, to yield technology transfer benefits, and to provide rapid returns on investments.

China has developed its exports as a main source of foreign exchange, while seeking to stimulate management efficiency and product competitiveness. Imports focus on technological and capital resources which can be directed to priority sectors such as energy, transportation and communications. Beijing has also demonstrated a strong inclination to use trade and foreign contacts as a means of rapidly modernizing its technological base. However, future directions in the foreign trade policy of the PRC will depend very much on the initial successes of the 'Four Modernizations'.

China's Push for Trade

One of the major statements on China's objectives in foreign trade was made in West Germany when Chinese Premier Zhao Ziyang addressed the Congress of Industry and Commerce.

The Chinese Premier stressed that China's opening to the outside world was not only a fundamental state policy but represented an important part of its economic reforms as well. China would be guided in its relations with other countries by the Five Principles of Cooexistence, he stressed, and not by the nature of social systems and ideologies. Thus the 'open policy' applies to relations with all countries without discrimination against any. This effort to expand foreign trade and to give preference to policies that would attract foreign capital, technology and equipment was designed to create a favorable climate for investment and to provide reasonable profits for

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'our foreign partners'.

Premier Zhao called attention to the opening of the four special economic zones in Guangdong and Fujian Provinces in 1980, and on Hainan Island as well as in fourteen coastal cities in the previous year, noting that the population of the areas opened to the outside world exceeded 100 million people. In extending an invitation to increase trade, he observed that there existed a wide range of areas for economic and technological cooperation between China and Western European countries, and urged long-term cooperation in the introduction of foreign technology and equipment including the utilization of foreign funds, consulting services, and even managerial personnel. Pledging a desire to gradually enlarge the share of Western European countries in China's foreign trade, he nevertheless urged that European countries be more competitive in the prices of their products and more liberal in technology transfer as well as offering more favorable terms of deferred payment.(1)

Since then China has maintained an active outreach program for additional trade. Foreign Economic Relations and Trade Minister Zheng Tuobin visited Brussels in May 1985, on the tenth anniversary of the establishment of diplomatic relations between China and the European Economic Community, to discuss international and bilateral trade and economic relations. An agreement between China and the EEC was prepared which covered cooperation in industry, agriculture, science, technology, energy, transport, personnel training, and development assistance. During the ten previous years, the trade between the PRC and the EEC amounted to $1.6 billion (U.S. dollars), while in 1984 it had risen to $5.6 billion (U.S. dollars) about 12 per cent of China's 1984 trade volume.(2) During his aforementioned visit to West Germany, Chinese Premier Zhao Ziyang pledged continued commercial cooperation and contact with West Germany, China's largest trading partner in Western Europe.(3) The PRC and the Netherlands also boosted economic relations after diplomatic relations were established in February 1984, with two way trade totalling $500 million (U.S. dollars), a 13.6 per cent increase over 1983.(4)

China's promotion of the 'open door' policy has remained a constant feature of the Four Modernizations during the past five years. China's trade policy during the 1979-1983 period

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was uneven. A period of rapid growth in 1979 and 1980 was followed by a decline because of a shift in China's policies which deemphasized the capital goods sector and resulted in the cancellation of several large development projects. The 1981-1982 period registered a 13 per cent decline, including a 19 per cent decline in imported raw materials in 1981. Chinese imports reversed a two year decline in 1983, increasing by about 19 per cent with raw materials and equipment for heavy industry being the most important component. A continued increase for machine and equipment imports is likely to continue with China's emphasis on the rapid development of energy, transportation, and communications.

Japan and the Western European nations, the countries most anxious to enter the Chinese market, are also perhaps the most acutely aware of the effect of the rapid changes which can occur in Chinese policies. These areas were particularly hard hit by China's cutback on machinery and equipment imports, during 1981-82, China's imports from developed countries fell by 25 per cent, with the total $2.7 billion drop in Chinese imports divided equally between the OECD countries and Japan. The year 1983 saw a recovery in imports, when China increased its imports of Japanese steel products machinery and equipment, and although Japanese imports to China grew 40 per cent, these exports still fell short of the peak years of 1980 and 1981. Western Europe experienced a 15 per cent decline in Chinese imports in 1981, a 3 per cent decline in 1982, and a 20 per cent increase in 1983. While China's imports from the U.S. continued to fall in 1983 because of Chinese embargoes on imports of U.S. grain and textile fibers, China's imports from Communist countries have remained a stable 10 per cent of the PRC's total imports.(5)

It is noteworthy that China has experienced a declining export growth rate: in 1979 China saw its exports grow at a rate of 34 per cent, expand by 14 per cent in 1981, by 9 per cent in 1982, and by only 2.3 per cent in 1983. The fall in the exports of China was due to a slowing international economy and protectionist measures in Western markets against China's textile exports. Besides textiles, China has concentrated on exporting technologically simple, high labor content, machinery and equipment. During 1981-1983, China's greatest export growth occurred in apparels, in which exports registered a 68

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per cent gain, and in footwear exports, with a 44 per cent gain. Yet, it appears that the 1983 trade statistics represent a plateau for the export growth of Chinese textile and light industrial exports.

One of the more important exports from the PRC relates to resources such as coal, oil, and petroleum products, items which have represented more than 20 per cent of China's total exports since 1980. Japan has been the recipient of more than half of these energy exports. However, the PRC experienced difficulties in maintaining the rapid growth of its petroleum and coal exports.(6)

The oil story is illustrative of the problems China faces. If it hopes to reach the goal of economic output by the year 2000 as envisioned by the 'Four Modernizations,' the PRC will need a substantial increase in oil production to provide gasoline for trucks, fuel for industrial engines, plastics for consumer products, and oil for exports to bring in the foreign currency needed to buy new technology. How much oil is available offshore (beneath the waters of the South China Sea) and onshore (under China's plains) is an unanswered question. A negative answer could deal a blow to its economic modernization plans, and recent indications have been discouraging for the Chinese. The Beijing government has proposed stiff terms for foreign companies (e.g., oil exploration must be a joint effort, work sites must be staffed with primarily Chinese workers). Failure to find significant oil deposits could slow down the modernization programs and affect the nature of PRC trade; it could also force the PRC to engage in more extensive borrowing from the Western nations to finance its modernization plans.(7)

Beijing's current 'open door' policy places a strong emphasis on attracting foreign investment, with a special focus on export oriented industries and related infrastructure. Buoyed by the sheer size of China's natural and human potential. the Chinese government proceeded to establish a number of national and local organizations expressly designed to attract foreign investment. While between 1979-1983 a total of $6.6 billion was invested in Chinese enterprises by foreign funds, only a small proportion of this was invested in joint equity ventures.(8)

China has attempted to establish a favourable climate for investment by new rules for joint ventures. These rules cover

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such activities as joint venture incorporation, foreign exchange controls, custom duties, special economic zones, and offshore oil development. The regulations published September of 1983 sought to alleviate some of the concerns of foreign investors and placed emphasis on the profitability of joint ventures (e.g., sales in the domestic markets, criteria for setting sale prices, tax and duty exemptions). While not solving all the concerns of foreign investors, these regulations represented an attempt to encourage foreign investors to participate with PRC-based organizations in joint ventures.

The largest part of the PRC's available foreign capital goes to small projects in the light industrial goods sector, and makes use of flexible forms of trade minimizing foreign exchange requirements and promising a rapid return on minimal investment(e.g. export processing, co-production) These ventures, the majority of which are small manufacturing or assembly operations, earned $930 million in foreign exchange between 1979 and 1982.(9)

Despite these advances and the PRC's continuing outreach for foreign investment, problems still remain. China's efforts in the banking field have attracted attention, causing one observer to compare Beijing's use of bankers in the 1980s to its use of Ping-Pong players in the 1970s for the purpose of improving its relations with the West. The Bank of China remains China's key agent, and Westerners are convinced that China has significant financial reserves.(10) However, during the early part of 1985, China replaced the presidents of two of its leading financial institutions – the Bank of China and the People's Bank of China – without any word of explanation, an act which raised concern among foreign investors who had come to respect Jin Deqin for the Bank of China's overseas operation and foreign exchange transactions.(11) Rapid and unexplained personnel changes remain only one of the problems. Uncertainty about China's economic and commercial legal system has kept Western firms away from substantial investment commitments, especially in regard to complex joint venture projects.(12)

Other investors show a great concern regarding the imposition in early 1985 of foreign exchange controls and the imposition of additional taxes on foreign firms. China announced a 15 per cent 'enterprise income tax' on China-based foreign subsidiaries' earnings from services and consulting (retroactive

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to January 1, 1985) as well as a 5 per cent 'industrial and commercial' tax on Hong Kong, Macao and other foreign enterprises (effective June 1, 1985). The Director of the Chinese Finance Ministry's General Taxation Bureau, Jin Xin, had been quoted as stating that the tax would be paid by all businesses no matter whether payments were made in China or elsewhere. These taxes followed restrictions on foreign exchange as the Chinese government limited the expenditure of hard currency, a clear reversal from the policy established the previous November allowing factories and local governments to spend more foreign currency. The change in this policy seems tied to a drop in foreign exchange reserves and China's growing problem of inflation, which may have risen as high as double digits in the first part of 1985.(13) These sudden taxation impositions reveal the strong control still exercised by Beijing over China's economy and the uncertainty relating to its economic policies, subject as they are to certain rapid changes.

Investor concern also increased at the end of June when Deng Xiaoping told visiting foreign delegations that even after five years the economic reform policies still represented an experiment, and the Chinese leadership has yet to see if this is the correct course or not. Attention focused on a front page editorial which appeared in some of the Chinese newspapers, in which Communist Party official Bo Yibo attacked capitalists for seeing only money and that this worship of money was responsible for corrupting some of the Chinese people.(14) Although it is unlikely that China would dramatically turn back to the pre-1979 policies while Deng remains in power, the obvious concern with the increase in money supply in China, internal inflation, and 'unhealthy tendencies' associated with capitalism (including corruption, bribery, smuggling, and black market currency) gives evidence of some retrenchment, a cause of nervousness among foreign investors and traders.

U.S. Trade with China

United States trade resumed with China in 1972 after a twenty year interruption and began to increase rapidly in the period 1978-1979 when diplomatic relations were officially

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established between the two countries. This two-way trade doubled in 1979 and also doubled in 1980, and although trade grew by a more modest 14 per cent in 1981, it registered a decline of 5.7 per cent in 1982 and 14.5 per cent in 1983. It is likely that trade in the next few years will increase somewhat over the low of 1983.(15)

The United States leads all other nations in the amount of its investment in China. During the period 1979 through 1983, the U.S. was the source of $673 million or 29 per cent of the total $2.34 billion in foreign investment in equity joint ventures and off-shore oil development attracted in this time period. U.S. imports from China have been mostly petroleum and textile products (e.g., an increase from 46 per cent of the imports in 1980 to 64 per cent in 1983). Over one half of the total PRC manufactured exports to the U.S. comprise textiles and clothing. China also exports a substantial amount of manufactured metal goods and machinery to the U.S.A.

The fall in U.S. exports to China in 1981 and 1982 resulted from a bumper grain crop in China, reducing the need for the purchase of U.S. agriculture exports and from economic readjustment which severely cutback orders for foreign machinery and equipment. However, the 1983 decline was also partially attributed to trade issues, including a dispute over the rapid increase of textiles exported to the U.S.(16) While China was viewed as a steady market for U.S. agricultural products (e.g., U.S. surplus grain), China's bumper crops resulted in it becoming an exporter competing with the United States. Indeed, China's exports of feed grains, mostly corn, were expected to reach 3.6 million metric tons in 1984-1985,(17) compared to 400,000 metric tons the previous season.(18)

However, despite optimism amongst American businessmen's expectations for dramatic increases of trade with China, many obstacles continue to face the Beijing government and the implementation of the 'Four Modernizations'. Although China has undergone some change in its foreign trade structure, most foreign trade is still conducted by the Foreign Trade Corporations (FTCs), organized on a commodity or product basis, and supervised by the Ministry of Foreign Economic Relations and Trade (MOFERT). In a further change of policy the government has allowed China's industrial ministries to take a more active

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role in foreign trade by establishing import and export corporations of their own, with the authority to conduct technical and commercial negotiations with foreign firms. The expansion of the decision-making authority of existing Chinese economic units, along with the creation of many new ones, has further complicated the process for making contacts with foreign business persons.(19)

The U.S. government has attempted to detail the complex process involved in dealing with China. One instructive publication notes:

> Despite recent reforms to give the Chinese economy additional flexibility, the system remains highly centralized and is managed at the national, provincial and local levels by a very complicated and often slow-moving bureaucracy. China's decision-making process, somewhat like Japan's, places heavy emphasis on achieving a concensus among all of the interested parties. In the course of negotiations, it is often difficult or impossible to determine which Chinese organizations are involved or how important a role they play.(20)

This publication further warns that in addition to having these complexities to convince the Chinese end-user of the effectiveness of the product or service, numerous Chinese planning and coordinating agencies may be involved in the negotiations, major projects and other large scale expenditures must be approved by the State Planning Commission, and large joint ventures involving foreign investment require review by the Ministry of Foreign Economic Relations and Trade (and sometimes by the State Council). Only certain end-users are empowered to negotiate contracts independently with foreign firms, while the great majority of China's foreign trade must be channeled through Chinese foreign trade corporations (FTCs); and financial authorities usually review most proposals (e.g., the end-user may have to apply for permission to purchase hard currency from the Bank of China). It also adds this caution:

> Foreign companies should keep this highly complex and confusing institutional background in mind when negotiations seem to stagnate for no apparent reason. The Chinese may ask to break periodically for discussions among themselves. They also may request a recess of 1 or 2 days. It is quite appropriate to emphasize that the firm would prefer

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to continue to work toward a conclusion of the negotiations. But one should bear in mind that the suggestion may be counterproductive if the Chinese need a day to review the negotiation with their superiors.(21)

During the third annual session of the U.S.-China Joint Commission on Commerce and Trade held in Beijing, U.S. Secretary of Commerce Malcolm Baldridge cited the difficulties facing U.S. companies seeking to invest in the PRC. These included the high cost imposed by the Chinese, uncertain customs and tariff practices, the difficulties of repatriating profits, and restrictions imposed on U.S. service industries and problems in obtaining secure supplies and labor.(22)

China, on the other hand, criticized the U.S. for problems it encountered in technology sales and a failure to extend concessional credits to China. Restrictions on U.S. imports of Chinese textiles and crude oil were also cited.(23)

The conclusion of the meeting included an agreement for cooperation aimed at the renovation of Chinese enterprises with the Chinese sending a delegation to the United States to study the American experience in industrial renovation while the U.S. agreed to place industrial consultants in Chinese plants and other industrial facilities to advise on the upgrading of equipment, management and technology in those facilities.(24)

The United States took a significant step toward meeting China's demands for technology when President Reagan in June of 1983 amended the U.S. control procedures by recognizing China as a "friendly, non-allied country." When this decision went into effect in November of 1983, it moved China into Country Group V, where it was placed on a par with other friendly Asian, African, and European countries. China thus was moved into a category in which products in several important categories would be routinely approved for export to China end-users. This included computers, computerized instruments, microcircuits, electronic instruments, recording equipment, and semiconductor production equipment. However, certain restrictions remain on nuclear weapons and delivery systems, electronic warfare, antisubmarine warfare, all of which are subject to national review.(25)

China's efforts to liberalize its foreign economic system has run into some obstacles. A host of different Chinese organizations have become involved in trade activities, including local

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government agencies and even military units, and this adds uncertainty and confusion in negotiations with foreign traders. If the PRC would fully adopt the principles of the free market in trade, the market forces would weed out the less efficient participants and a number of different trade organizations possessing specialized knowledge of particular markets and local conditions would flourish and compete. This situation would be much more efficient than Beijing's heavily bureaucratic structure, but the real problem which has emerged reveals the clear distinction between the roles of governmental administrative organs and commercial enterprises, the latter being mostly state-owned collectives. The continuing problems in the PRC's new trade position arise as a result of the contradictions between decentralized foreign trade and the still centralized management of foreign exchange operations. Since only foreign exchange earning organizations are allowed to retain a portion of their receipts from exports for the purchase of imports, and non-exporting organizations need special authorization to purchase foreign exchange, a number of enterprises (without consideration of the efficiency of the operation) have expanded beyond their normal scope of operations to create enterprises which will allow them to acquire foreign exchange. One shipping company in Chongqing which had no foreign exchange allocation committed itself to building a hotel for foreigners so that it could earn foreign exchange with which to import tugboats and other equipment related to the shipping business. Economists have cited the need for legitimizing the foreign exchange market, but the Chinese Communist officials have generally resisted such efforts, fearing that the resultant loss of centralized control and increased economic freedom could undermine their political control. An overhaul of the foreign exchange system is clearly necessary if China is to benefit properly from additional foreign trade, and such efforts might involve a change in the status, or a break up, of the fourteen national foreign trade corporations which presently play a monopolistic role in the trade of mainland China.(26)

Special Economic Zones

The "special economic zones" (SEZ) established by China offer an illustration of how China seeks to authorize a strictly limited free market operation to attract foreign exchange and

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principle which might be incorporated into China's economic policies. One official publication noted that special preference would be given to foreign entrepreneurs who make investments in scientific research institutes, and stressed the strategy of allowing new districts to serve old districts, and foreign funds to supplement home funds. The article, entitled "Several Relationships Concerning Opening Up Coastal Cities to the Outside World," authored by Jiang Ji, observed:

> Regarding imports of advanced technology and key equipment, it is necessary to utilize foreign funds in a planned way and to exchange advanced technology through market activities. Regarding products in short supply at home, part of the home market can be opened to them in order to acquire a balance between demand and supply at home, and to stimulate the upgrading and substitution of products. Concerning those products which have been technically backward at home for a long time, part of the market can be opened up to them in order to stimulate the technical renovation of enterprises at home. Regarding those products which can be produced at home but which are far behind world standards, the entire trade will be opened up. Products of the same category produced with a high technical level are allowed to enter the home market in different grades of quality.(30)

Those individuals who believe that the opening of the special economic zones and designated cities represent a major departure from Communist economic policies, with long-range significance for the development of China, will not find the Chinese leadership under such illusions. Zheng Ge, Deputy Director of the office of Special Economic Zones, emphatically denied that these special economic zones would compromise Chinese socialism or weaken Chinese sovereignty, and he added that the state enterprise system remained the backbone of the Chinese economy, that foreign investment would not change the nature of Chinese socialism. He noted that the regulations governing foreign investment had been designed to protect the sovereignty of China. He also recalled that Deng Xiaoping had made the statement that China could absorb as much as $100 billion worth of foreign investment without affecting the socialist framework of China.(31)

Shenzhen, near Hong Kong, represents the most dramatic-

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ally developed of the special economic zones, and has benefited from the modern infrastructure and technology available there. Focusing on the foreign exchange issue, Beijing issued a number of regulations listing what it described as illegal foreign exchange transactions, in order to stop Chinese from approaching foreigners to exchange money for Foreign Exchange Certificates (FECs) which could be resold to other Chinese for the purchase of the big four among consumer goods: color televisions, refrigerators, washing machines, and portable stereos. Similar regulations were to be adopted by the provincial authorities controlling the special economic zones of Guangdong and Fujian.(32) The Chinese People's Political Consultative Conference (CPPCC), an advisory group, engaged in a heated debate over whether to introduce a special currency in Shenzhen to stop black market operations in currency trading.(33) Shenzhen has three different currencies: renminbi, the official currency of the PRC; foreign exchange certificates; and the Hong Kong dollar. Efforts to introduce a special currency were blocked by the central bank of China until further study, despite the support of Shenzhen government officials who favored a separate convertible currency.(34)

These special economic zones and cities designated for foreign investment are tightly controlled despite the incentives provided for investment by foreign businessmen. Regulations in these areas face the competing demands of the Chinese government's desire to retain control, while setting up a means of quickly benefitting from foreign exchange and foreign technology.

Further, it is important to make a clear distinction between the PRC's adoption of free market principles (e.g., the idea of individual enterprises operating on a profit-basis) and the invitation extended to foreign firms to participate in joint ventures. The Chinese have changed a "self-reliance policy" for one that allows an "open door" designed to encourage development through greater cooperation with the world economy and a greater dependency on imported technology, but the basic economy of the PRC remains one of state ownership and central planning, with a small but growing sector based on enterprise. This latter is limited to encouraging specific technological modernization and the acquisition of foreign exchange. The field of foreign trade, however, remains a state monopoly

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and represents an integral part of national economic planning. Although China has initiated certain heavily restricted new policies to attract foreign technology and a flow of foreign capital (through joint ventures, barter, compensation, trade arrangements, and special economic zones designed to encourage foreign investment), the government of China maintains tight control even there, and businessmen from the United States and the West find themselves dealing with a vast array of bureaucrats who have to review and approve all final arrangements. The American businessman cannot expect to deal directly with Chinese businessmen when negotiating business deals.

In order to help prepare American businessmen for trade with China, the U.S. Department of Commerce has published a pamphlet that seeks to inform American businessmen about Chinese economic needs. For example, at an Investment Promotion Conference in Guangzhou in June, 1982, the first such ever held in China, the purpose was not an open and free discussion between foreign firms, but rather to discuss their possible investment in 130 specific Chinese projects. Even the China Council for the Promotion of International Trade, which the Chinese government describes as a nongovernmental economic and trade organization, represents an integral part of China's foreign trade structure and works closely with China's Ministry of Foreign Economic Relations and Trade (MOFERT) with the Foreign Trade Corporations, and with other economic ministries and entitles controlled by the Chinese government, such as the Bank of China. The American businessman who thinks that China's new economic policies will allow him to deal with individual Chinese businessmen without much governmental interference, as is possible in Hong Kong or the Republic of China on Taiwan, is sadly mistaken. As the U.S. Commerce Department instructions to American businessmen note:

> Marketing products and services in China is unique in several significant ways. The first major difference is that all Chinese commercial entities are in some way linked to national, regional or local governments. These organizations are responsible for carrying out government economic plans and policies, which do not always reflect strict economic logic or commercial interest. Like other large bureaucracies, Chinese commercial organizations have

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complex hierarchies and lines of authority that can sometimes criss-cross between several distinct groups. Finding the right group(s) is often time-consuming.

Technology Acquisition

A study of the Four Modernizations, particularly the trade policies of the People's Republic of China and the creation of special economic zones, makes clear that the PRC desires the acquisition of Western (as well as Japanese) technology as quickly as possible to modernize and strengthen its economy both for now and the future. The technology selected is that required for the modernization and expansion of Chinese industry – and also of the PRC's military. As some technologies can have both civilian and military use, what is the significance of the transfer of this technology, not only for the PRC but for its Asian neighbors, and indeed for the Western world – particularly for the United States?

Although the Soviet Union and the People's Republic of China are both Marxist states which, according to their own statements, are committed to world revolution, the Soviet Union is regarded by U.S. policymakers as a hostile country, while China (for the purposes of trade and exchanges) is looked upon as a 'friendly' country.

The visit to the United States in July 1985 of Chinese President Li Xiannian brought to a head the issue of nuclear technology – the approval by the U.S. of the nuclear pact which allows for the sale of reactors and other technology to enable the PRC to construct a nuclear power plant, representing a maximum potential in sales of $10 billion. The agreement was first initialed fifteen months prior to this, at the time of President Reagan's visit to China, but had been delayed because of U.S. intelligence objections that it lacked adequate safeguards that would prevent China from utilizing U.S, nuclear materials and technology for military purposes, permitting nuclear proliferation by assisting one or more other countries develop nuclear weapons. These warnings were based upon existing U.S. law which prohibits the sale of nuclear reactors to any country which does not accept such restrictions, including prohibition of the reprocessing of plutonium from spent nuclear reactor fuel. However, despite these objections and the existing U.S. law on the subject, the agreement finally approved by the

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U.S. on the occasion of the Chinese President's visit was virtually identical to that which had been initialed in 1984, the U.S. officials having dropped their objections on the basis of "verbal" assurances that the Chinese would observe these restrictions, even though the Chinese refused to put this in writing. In any case, the nuclear pact contains no machinery for verifying that any conditions or verbal assurances are being adhered to, and there is no U.S. power of veto over the use to which the technology will be put. The mere threat available to the U.S. of withdrawing from the agreement if the Chinese are found to be violating either the verbal or written terms offers little protection, since 1) the lack of verification will make it impossible to detect such divergencies, and 2) the PRC will by then have already acquired the technology and nuclear reactors. Despite assurances to the contrary, the People's Republic of China would potentially be able to make significant advances towards developing nuclear power for military purposes with the aid of this U.S. technology and equipment, thereby presenting an even greater threat to its neighbors in Asia – and even to world peace, if it were to sell nuclear material to hostile Third World countries.

The leadership in Beijing, like the leadership in Moscow, is fully aware of the military uses of technology, even that claimed for civilian uses, and China is also acquiring specific military technology with which to modernize its armed forces. Although the PRC has been designated a 'friendly' country by the U.S. for the purposes of trade, a sharp change in Beijing's attitude toward the West might convert it once again into a bellicose and aggressive power, embarking on foreign adventures with military technology acquired from the United States and the Western nations.

FOOTNOTES

(1) "Zhao on Open-Door Policy," *Xinhua*, June 10, 1985, Daily Report: China, FBIS, June 11, 1985, p. G2.

(2) "Zheng Tuobin Trip for Talks with EEC Announced," *Xinhua*, May 15, 1985, *Daily Report: China*, FBIS,, May 16, 1985, p. G1.

(3) "PRC, FRG Pledge Friendly Ties," *Xinhua*, June 10, 1985, *Daily Report: China*, FBIS, June 11, 1985, p. G6.

(4) "Expanding PRC-Netherland Trade Ties Viewed," *Xinhua*, Ibid., p. G8.

(5) Nai-Ruenn Chen and Jeffrey Lee, *China's Economy and Foreign Trade 1981-1985*, International Trade Administration Office of the People's Republic of China and Hong Kong, U.S. Department of Commerce, U.S. Government Printing Office, 1984, pp. 23-24.

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wealth and expertise." Ibid., p. 11 See also Daniel Southerland, "Do the Chinese Hate Foreigners?," *The Washington Post*, June 16, 1985, p. C5.

(36) *Foreign Economic Trends and their Implications for the United States,* prepared by the American Embassy in Beijing, International Trade Administration, U.S. Department of Commerce, Washington, D.C.: Government Printing Office, October, 1983, p.7.

(37) Ibid., 7-8.

(38) See Donald J. Senese, *Modernizing the Chinese Dragon: The Prospective Impact of Western Aid and Technology on Mainland China*, Washington, D.C.: Council on American Affairs, 1980.

(39) "The Price of Technology Leaks," *The Wall Street Journal,* May 10, 1985, p. 24. The editorial relates the story of a document written by a Soviet aviation minister in 1980 and obtained by French intelligence which boasted of the great technological progress the Soviets had been able to make by the use of Western technology.

(40) Bernard Weintraub, "Reagan Welcomes Peking President; Atom Pact Signed," *The New York Times,* July 24, 1985, pp. A 1, A11; Mary Balcher, "Reagan OKs sale of nuclear reactors to China," *The Washington Times,* July 24, 1985, pp. 1 A, 10 A; Joanne Omang, ".U.S. and China Sign Nuclear-Power Pact," *The Washington Post*, July 1985, pp. A 1, A 14.

(41) A study by Wolfgang Bartke and Peter Schier, *China's New Party Leadership*, (Armonk, New York: M.E. Sharpe, Inc., 1985) observes that although Deng supporters have come into power on the present Central Committee, a victory over the pro-Maoist faction, and that even if the major conflicts between the Deng faction and the pro-Maoist faction seem to have ended, the debate between proponents and opponents of the reform policies over the direction China is to take has just begun, and some of the recent problems experienced in the reform program could be part of a sabotage by the anti-reform faction. See Stephen Uhalley Jr., "Aiming the Spotlight on China's New Party Elite," *The Asian Wall Street Journal,* May 20, 1985, p. 15.

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COMMUNISM, TERRORISM, AND THE AFRICAN NATIONAL CONGRESS

By Samuel T. Francis

The escalation of internal political violence, including riots and organized terrorism, in the Republic of South Africa since the summer of 1984 has produced a pronounced hostile reaction to South Africa on the part of Western governments and public opinion. Despite the presence of comparatively moderate opponents of apartheid, such as Chief Buthelezi, in South Africa, fashionable entertainment figures, opinion makers, and many political leaders in the West have sought to glamorize the most violent and extreme forces in that country, the African National Congress (ANC) and its convicted leader Nelson Mandela. The glamorization is not confined to persons like singer Little Stevie Wonder, but extends also to important governmental leaders in the Reagan Administration and even to the South African business establishment. On March 13, 1986, Assistant Secretary of State for African Affairs Chester A. Crocker described the ANC in Congressional testimony as "freedom fighters," thus placing this organization and its terrorist cadres in the same category as the Contras of Nicaragua, UNITA of Angola, and similar anti-Communist guerrillas in Afghanistan and Indochina. On September 13, 1985, a delegation of seven South African businessmen, led by Gavin Relly of the conglomerate Anglo-American Corporation, met with ANC leaders in Lusaka, Zambia in an effort to find some common ground between the two groups. To date, this effort does not appear to have been successful.

The ANC, in fact, has been under the effective control of the South African Communist Party (SACP) since the late 1940s. Although not all of its leaders are Communists, enough of them are members of the Party to exert a controlling influence in the organization and hence render the ANC in effect a Soviet controlled satellite that promotes the Soviet goals of "national liberation" in the Republic of South Africa and in southern Africa generally. Moreover, the ANC has embarked on a course of "armed struggle" as a tactic of proletarian revolution in South Africa with the consent and encouragement of the

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SACP. While making use of terrorism – for which the term "armed struggle" is a Leninist euphemism – the ANC has also in recent years sought to gain political power through legal organizations such as the United Democratic Front and through clever manipulation of public opinion in South Africa as well as outside it.

The African National Congress was founded on January 8, 1912 in Bloemfontein in the Union of South Africa. Often described as the oldest African nationalist organization, the ANC for many years was indeed nationalist in its goals, seeking to unify the tribes of South Africa as a single people. By the 1940s, however, the ANC and the SACP, founded in 1921, began collaborating against the institutions of white supremacy. In 1947 the two organizations worked together in a campaign against the "pass laws," and in 1945 the ANC, SACP, and South African labor unions jointly staged the largest public gathering in the history of Johannesburg in observation of the Allied victory over Germany. In 1950 the ANC and SACP and other organizations sponsored mass rallies in opposition to the recently adopted policy of apartheid.

One source for the increasing closeness between the ANC and the Communists was a militant faction within the ANC Youth League which came under the influence of the Communist leader Yussuf Dadoo. The Youth League argued for a far more confrontational policy than the parent body was willing to endorse. Several leaders of the Youth League undertook visits to Soviet Bloc states without the knowledge of ANC leader Albert Luthuli, and the arrest and trial of these persons after their return served to discredit and embarrass Luthuli. By 1958 the Communist influence in the ANC had reached such an extent that the nationalists in the organization broke off and founded the Pan African Congress (PAC).

The SACP was outlawed in 1950 under the Internal Security Act of that year, and the Party in fact became a clandestine organization. The ANC remained a legal organization until, in the wake of the "Sharpeville massacre" of March 21, 1960 and the calling of a general strike by the ANC on March 26, the government banned the ANC and the PAC under the Unlawful Organisations Act. The ANC has remained an illegal and clandestine organization in South Africa since that time.(1)

Public confirmation of the powerful Communist influence in the ANC in recent years was provided by Bartholomew

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Hlapane, a former member of the National Executive Committee (NEC) of the ANC and of the Central Committee of the SACP, in testimony before the Subcommittee on Security and Terrorism of the Senate Judiciary Committee on March 25, 1982. Mr. Hlapane was able to identify seven of the 22 members of the NEC as members of the SACP. South African intelligence sources confirmed the identification of six of these persons as Communists as well as of five other members of the NEC. The eleven members of the NEC who were at that time known to be members of the Communist Party were: Yussuf Dadoo, Vice President of the NAC; Alfred Nzo, Secretary General; Dan Tloome, Deputy Secretary General; Joe Slovo, Deputy Chief of *Umkhonto we Sizwe,* the "military arm" of the ANC; Josiah Dele, Director of International Affairs; Mziwandele Piliso, chief of personnel and security; and Reginald September, Moses Mabhida, Stephen Dlamini, Hector Nkula, and John Nkadimeng, members of the NEC. Hlapane also identified Thabo Mbeki, chief of the political department of the ANC, as a member of the SACP, as did witness Delphine Kava. Thus, a majority (12 out of 22) of the members of the National Executive Committee of the ANC were identified members of the Communist Party. Neither Hlapane nor other witnesses nor South African intelligence sources were able to identify Oliver Tambo, President of the ANC, as a Communist, and Hlapane testified that to his knowledge Tambo was not a Communist. Tambo, Afred Nzo, and Yussuf Dadoo until his death in 1983 were members of the Presidential Committee of the World Peace Council, widely recognized as a Soviet controlled front organization, and Dadoo was also Chairman of the South African Communist Party. Joe Slovo himself is reputed to hold the rank of colonel in the Soviet KGB, although he has reportedly denied this.(2)

The closeness of the ANC leadership to the Soviet Union and the SACP is evident also in many public statements of both ANC and Communist leaders. In January, 1984, a writer in *Sechaba*, the official organ of the ANC which is printed in East Germany, wrote "The ANC has been a consistent champion of the cause of world peace, and 'voices its full support for recent Soviet peace initiatives which are aimed at making this planet a secure place.' (Alfred Nzo, 1983)." In May, 1984, Alfred Nzo stated in an interview, "We recognise instead that the Soviet Union and other Socialist countries are our dependable allies,

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from whom no force is going to succeed in separating us."(3) An editorial in *The African Communist*, official organ of the SACP, speaking of Chester Crocker and "his racist friends in the apartheid regime," noted in 1984, "They would like to separate the ANC from its natural allies, the independent African counties and the socialist countries. They would like the ANC to separate itself from its ally, the South African Communist Party."(4) In a message to the second Consultative Conference of the NAC, held in Lusaka, Zambia, on June 16-23, 1985, the SACP stated "The South African Communist Party has a long history of association with the ANC – an association which has now developed into a brotherly alliance . . . . From the earliest days communists have worked unstintingly to strengthen the ANC."(5) In a Presidential Statement to the NAC by Oliver Tambo in 1984, Tambo noted, "The Socialist countries remain a solid pillar of support to our national liberation struggle. We are assured of their continued internationalist solidarity till the triumph of our revolutionary struggle."(6) On April 11-16, 1983, Alfred Nzo participated in an international conference to commemorate the death of Karl Marx hosted by the Central Committee of the East German Socialist Unity Party (SED), held in East Berlin. Aside from his praise for the founder of Communism, Nzo noted that the "fascist regime" of South Africa, "with its allies in Washington," "hopes that it can persuade the masses of our people and those of our region as a whole to turn their backs on the national liberation movement and the national liberation forces to turn against their natural alliance with the GDR, the Soviet Union and the world socialist system as a whole."(7) Oliver Tambo has noted that "It is a matter of record that for much of its history, the South African Communist Party has been an integral part of the struggle of the African people against oppression and exploitation in South Africa ... Today the ANC and the SACP have common objectives in the eradication of the oppressive and exploitative system that prevails in our country: the seizure of power and the exercise of their right to self-determination by all the people of South Africa." Moses Mabhida, who is the General Secretary of the SACP, stated in response to Tambo's remarks that the SACP "fully supports the same programme of liberation as the African National Congress, for the seizure of power and majority rule ... Our Party's relationship with the African National Congress is based

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on mutual trust, reciprocity, comradeship in battle and a common struggle for national liberation. Our unity of aims and methods of struggle are a rare instance of positive alignment between the forces of class struggle and national liberation."(8) Such statements, of which those presented here are only a sample, suggest the closeness of the ANC to the SACP, the Soviet Union, and the World Communist movement.

Nelson Mandela has never been a member of the Communist Party, although he has acknowledged the influence of Marxism on his thinking and political activities, and he played an important role in the transition of the ANC from a non-violent to a violent organization. In 1961, according to Mandela's statement during his trial in 1964, Mandela and others in the ANC leadership formed the "military arm" of the ANC, *Umkhonto we Sizwe,* "Spear of the Nation," or MK. The occasion for its formation was the shootings at Sharpeville and the subsequent outlawing of the ANC. Although the Sharpeville shootings were the response of police defending themselves against mob violence, the incident was used by Mandela to argue that "Violence by the African people had become inevitable."(9) On December 16, 1961, MK carried out its first attacks on government buildings in Johannesburg, Durban and Port Elizabeth. Mandela was arrested in August, 1962, and on July 11, 1963, South African police raided a farm at Lilliesleaf, near Rivonia, and arrested a number of ANC and SACP members. The police also seized documents and materials at the farm that revealed the MK plan for nation-wide sabotage and terrorism. This plan, called "Operation Mayibuye," involved eventual invasion of South Africa by foreign powers, and persons implicated in the terrorist conspiracy had developed contacts with the Soviet Union, Cuba, and Communist China, as well as with pro-Soviet African states. In 1966, Abram Fischer, a leader of the SACP, testified at his trial that the leaders of MK had given assurances to the Party that no terrorist action would be carried out without the prior approval of the Party.(10) In 1982 Bartholomew Hlapane, who had held leadership positions in both the SACP and the ANC in the early 1960s, confirmed Fischer's statement in testifying that "No major decision could be taken by the ANC without the concurrence and approval of the Central Committee of the South African Communist Party. Most major developments were in fact initiated by the Central Committee," and Hlapane also stated that "The Military Wing of the ANC . . .

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was the brainchild of the SACP, and after the decision to create it had been taken, Joe Slovo and J.B. Marks [also a member of the SACP] were sent by the Central Committee of the SACP to Moscow to organise arms and ammunition and to raise funds for Umkonto We Sizwe."(11)

The arrest of the ANC leaders and their subsequent conviction and imprisonment seriously impaired the capacities of the ANC and the SACP for sustaining a terrorist campaign in South Africa. Nevertheless, the SACP itself, in its program adopted at its Fifth National Conference in 1962, concluded that:

> The Communist Party considers that the slogan of "nonviolence" is harmful to the cause of the democratic national revolution in the new phase of the struggle, disarming the people in the face of the savage assaults of the oppressor, dampening their militancy, undermining their confidence in their leaders. At the same time, the Party opposes undisciplined acts of individual terror. It rejects theories that all nonviolent methods of struggle are useless or impossible, and will continue to advocate and work for the use of all forms of struggle by the people, including noncollaboration, strikes, boycotts, and demonstrations.(12)

The SACP rejection of reliance on non-violence was in fact a condemnation of the old non-violent policies of the NAC and a successful effort to push the ANC into dependence on illegal, revolutionary and violent strategies.

The Communist statement endorsing violence but rejecting individual terrorism and refusing to reject non-violent forms of struggle is also perfectly consistent with the classical Leninist theory of revolutionary strategy. Communist revolutionary doctrine does not ordinarily rely exclusively on terrorism as a tactic of revolution, and indeed the term "terrorism" had had negative connotations in Leninist terminology due to Bolshevik rivalry with the "Terrorist" faction of the Social Revolutionaries in early twentieth century Russia. Nevertheless, Leninism allows for, and under some conditions demands, the use of terrorism under the euphemisms "armed struggle" or "guerrilla warfare," as a means of bringing about a revolutionary situation or the revolution itself. Lenin authorized the use of terrorism by the Bolsheviks in the form of bank robberies or "expropriations" in Czarist Russia, and his writings specifically endorse

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the equivalent of terrorism under other names. The only stipulations in Leninist strategy on the use of terrorism are that it remain under the political control of the Party and that it advance Communist goals. In the 1960s, Marxists such as Che Guevara and Regis Debray sought to formulate a new theory of revolution that was almost entirely dependent on "armed struggle" or "guerrilla warfare," carried out by small independent "*focos*" with little contact with or control by a Communist Party. Among African revolutionaries – and Guevara himself fought in the Congo in 1965 – this theory challenged the political control of the Communists over revolutionary movements.(13)

ANC use of terrorism was limited between the exposure of Operation Mayibuye and the late 1970s, mainly because the ANC lacked the capacity and the infrastructure to sustain a terrorist or guerrilla movement. Nevertheless, a conference of the ANC at Morogoro, Tanzania, from April 25 to May 1, 1969 endorsed the use of armed struggle as an instrument useful to a revolutionary seizure of power, though it strongly rejected the Guevarist reliance on armed struggle.(14) Although terrorist and sabotage incidents occurred in South Africa in the late 1960s and early 1970s, they were comparatively minor and sporadic.

The event that resuscitated revolutionary activities in general and terrorism in particular in South Africa was the Soweto riots of 1976. These disturbances, which revealed widespread discontent in South African black townships, apparently caught the ANC and the SACP off guard. Nevertheless, they rushed to take advantage of them. In addition, the consolidation of pro-Soviet Marxist regimes in the former Portuguese colonies of Mozambique and Angola in 1975 established bases from which South African revolutionaries could gain access to South Africa. Between October 24, 1976 and November 20, 1980, the ANC was responsible for 28 known acts or attempted acts of sabotage or violence in South Africa in which at least 13 persons were killed. These statistics probably underestimate the amount of violence for which the ANC was responsible, since during the same period at least 55 other incidents of violence occurred for which responsibility is uncertain. In September, 1981, *Sechaba* claimed responsibility for 20 acts of violence between January 26 and August 11, 1981, and stated

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that these were "some of the actions reported during 1981."

Major acts of terrorism carried out by the ANC in 1980 included the sabotage of Sasol near Pretoria and the attempted robbery of a bank in Pretoria. The latter incident occurred on January 25, 1980, when three ANC members, armed with Soviet AK-47 assault rifles and hand grenades, raided a suburban bank in Pretoria and took 25 persons hostage. The terrorists demanded the release of Mandela, the revolutionary white poet Breyten Breytenbach, and ANC leader James Manze, imprisoned for smuggling Soviet weapons from Mozambique into South Africa in 1979. The terrorists murdered one of their hostages, a nineteen year old female teller, and were themselves killed after South African Police stormed the bank. Before they died the terrorists detonated hand grenades among the hostages, killing another woman and wounding 11 others.

The attack on Sasol, the South African Coal, Gas, and Oil Conversion Corporation, occurred on June 1, 1980 and caused $7 million in damages due to bombs placed by the ANC. A security guard was wounded by the saboteurs. The ANC at the same time placed three plastic explosive devices at the headquarters of the U.S. owned Fluor Corporation, but these bombs were discovered before they were detonated. The bombs placed at Sasol were of Soviet origin.

The increase in terrorism by the ANC in the late 1970s and early 1980s reflected a new tactical line on the part of the ANC and the SACP. In 1977 the Central Committee of the SACP concluded that "SOWETO has closed the debate about the legitimacy of resorting to armed struggle," and in 1970, writing in *The African Communist*, an ANC leader under the pseudonym "Comrade Mzala" stated that "in this period of struggle the urgent task of our movement is to inject into the masses of our people a feeling of confidence in their own potential to overthrow the racists, by means of vigorous revolutionary action, the main content of which must be effective, and sustained guerrilla operations including a nation-wide sabotage campaign reminiscent of the early sixties, and thus continue from where Rivonia left off."(15) Mzala was careful to advocate a campaign of terrorism consistent with Marxist-Leninist strategy, but he concluded that:

> Experience of other countries like Algeria, Cuba, Angola, on the contrary, shows that guerrilla struggle can bring about a revolutionary situation. Nowadays, this is

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> more so because the liberation forces have at their disposal an advantage (which the Russian revolutionaries never had), that is, the existence of a socialist community which is committed to the principles of proletarian internationalism. (16)

As a result of the decision to embark more fully on the "armed struggle" tactic, terrorist incidents in South Africa in the early 1980s were the bloodiest in the history of the nation. Thus, on May 20, 1983, a car bomb exploded outside the headquarters of the South African Air Force in Pretoria at rush hour, killing 17 persons and seriously injuring nearly 200. This incident, the most lethal terrorist act in South African history, was followed by similar bombings with lethal purposes. On April 3, 1984 two bombs exploded in Durban, again during the rush hour, killing three and wounding 22. On July 12, 1984, another ANC bomb in Durban killed five and wounded 27 persons. Between 1977 and 1984, 64 persons, including 19 blacks, were killed by ANC acts of terrorism, in addition to 12 South African police officers and witnesses murdered by the ANC from 1976 to 1982. The witnesses killed by the ANC included Bartholomew Hlapane, whose testimony revealed the extent of Communist control of the ANC before the U.S. Senate. He and his wife were murdered by ANC gunmen in their home in December, 1982, a few months after his testimony, Their fourteen year old daughter Brenda Hlapane was seriously wounded and today remains confined to a wheelchair.

Throughout the period of terrorist escalation in South Africa, the Soviet Union and its satellites provided strong material and moral support to the ANC. At the height of the ANC terrorist campaign, Oliver Tambo stated in East Berlin on August 28, 1984, "If our struggle today is strong, then this is thanks to the steady support of the GDR, the Soviet Union, and other socialist states." (17) Soviet support for revolutionary and terrorist activities in southern Africa is part of its general support for "national liberation movements" and the "anti-imperialist struggle," which is part of the Soviet Constitution of 1977 (Article 28) and has been an important theme of Soviet foreign policy since the 1960s. According to Dr. Igor Glagolev, who before his defection to the West in 1976 was an advisor and consultant to the Central Committee and the Politiburo of the CPSU:

> The decision to begin an offensive for the conquest of

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> southern Africa was taken by the Politiburo of the Communist Party of the Soviet Union near the end of the 1960's . . . . The Soviet leadership controls through him [Yussuf Dadoo] not only the South African Communist Party but the African National Congress and the South African Indian Congress as well.(18)

Several witnesses before the Subcommittee on Security and Terrorism in March, 1982 testified to their training by Soviets and Cubans in the Soviet Union and Africa. Nokonno Delphine Kava of the ANC testified on March 1924 and related how she had spent the period from September, 1978 to February, 1979 in the Soviet Union. While there she was made to study Marxism but was subjected to abuse, sexual harassment, and psychiatric "re-education" for recalcitrance to absorb Marxist indoctrination. Jeffrey Bosigo, also formerly with the ANC, testified to his training in Angola on Soviet weapons by Cuban and African instructors and of further weapons and ideological training for six months in 1977 and 1978. Ephraim Mfalapitsa, testifying on March 25, related the story of his training in East Germany in 1977 while a member of the ANC. On July 3, 1984, the author interviewed a former member of the ANC, "Peter," from Germanstown near Johannesburg, then in the custody of the South African Police. Peter, a 33 year old Zulu, joined the ANC after the Soweto riots of 1976 and received military and ideological training in the Ukraine from September, 1976 to March, 1977. After his return to Africa he was conscripted into the Angolian army to fight against UNITA, and this experience initiated his disillusionment with the ANC. His principal goal was to operate in South Africa, and he cared little for Angolan problems. Later, Peter became part of a Special Operations unit of the ANC directed by Joe Slovo, and in 1984 he was sent on a mission into South Africa with orders to construct a car bomb from materials secretly cached in Swaziland and to place the bomb near the headquarters of the South African Defence Force in Pretoria. He was supplied with a radio transmitter to detonate the bomb, and according to South African Police officials, the transmitter was manufactured by the Irish Republican Army. Peter was intercepted by authorities as he entered Swaziland and, because of his growing disillusionment with the ANC, readily confessed his activities and began collaboration with the authorities.

Soviet support for terrorism in South Africa is apparently

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not confined to material support for rank and file terrorists but is formulated at the highest levels of the Soviet government. The Soviet ambassador to Zambia from 1979 to 1981 was Vasily Solodovnikov, the former head of the African Institution of the USSR Academy of Sciences. He served as "spokesman" for Soviet policy in southern Africa during his tenure as ambassador, and, according to South African Minister of Police Louis de Grange, he played an important role in the planning of ANC and Communist strategy in South Africa.(19) After Solodovnikov's recall in 1981, the Soviet ambassador to Botswana, Mikhail Petrov, is reported to have assumed his function of establishing an ANC infrastructure in Botswana, from which ANC terrorists could infiltrate South Africa. Petrov is reported by South African intelligence sources to hold the rank of general in the KGB.(20)

The Soviets have provided large amounts of weapons and military equipment to the ANC for terrorist purposes. Oliver Tambo has been quite frank about his acceptance of such weapons. Interviewed in *Newsweek* (September 16, 1985) Tambo responded to the question, "Where do you get your weaponry?"

> We get them from the socialist countries, principally the Soviet Union, from the Organization of African States [?] and from individual African countries. The West does not give us any, but we would take them if they did. We would like to get Western weapons as a gesture of support from the West.

This response – that "liberation movements" must obtain weapons from the Soviet Bloc because Western states will not provide them – is a common argument among Marxist terrorist groups. Most Western states, of course, do not provide weapons and support to anti-Western Marxists and terrorists because these states reject both the ends and methods of the "liberation" movements, although Norway and Sweden are reported to have provided large sums of money to the ANC specifically for non-military purposes.(21) Anatoliy Gromyko, the current director of the African Institute of the USSR Academy of Sciences, affirmed Soviet material support for the ANC in a broadcast over Radio Moscow on January 8, 1986.

> The people of the Soviet Union . . . actively support the struggle of the ANC of South Africa . . . . The Soviet Union, through its government and organizations, collects

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donations that are entrusted to the Soviet Committee for the Defense of Peace and a part of these funds is used to support those in the struggle in South Africa.(22)

Yet the resurgence of terrorism of a particularly lethal and spectacular kind by the ANC in the early 1980s was in one respect a sign of weakness. The ANC was unable to create a widespread guerrilla war, and its terrorism was limited largely to civilian targets or isolated police and military positions. The Nkomati Accords between South Africa and Mozambique of March 16, 1984 undercut the ability of the ANC to use Mozambique as a base of infiltration into South Africa or to sustain an infrastructure within South Africa. ANC tactics from 1983 began to emphasize "forms of struggle" other than terrorism and guerrilla war. In remarks in a Presidential address on the occasion of the 71st anniversary of the ANC on January 8, 1983, Oliver Tambo emphasized the need for "strengthening the offensive power" of the ANC in political action:

To increase our offensive power:

* we must organise the people into strong mass democratic organisations;

* we must organise all revolutionaries into underground units of the ANC;

* we must organise all combatants into units of *Umkhonto we Sizwe*;

* we must organise all democratic forces into one front for national liberation.(23)

Tambo also emphasized the lack of political organization of revolutionary forces in South Africa and the need to work with trade unions, youth and student groups, "among the women, among the cultural and sports workers, the religious community and at the civic level." This emphasis on political agitation did not displace terrorist tactics, however, for the ANC, Tambo re-asserted, "upholds a strategy which combines revolutionary mass political action with revolutionary armed struggle."(24)

Exactly one year later, Tambo re-asserted this tactical line: "To march forward must mean that we advance against the regime's organs of state-power, creating conditions in which the country becomes increasingly ungovernable," and he repeated the need to expand "organisational and educational work." He also took the opportunity to praise the United Democratic Front:

At this juncture allow me to single out the creation of

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> the UDF as a historic achievement in our people's efforts to unite in the broadest possible front for the struggle against the inhuman apartheid system. The formation of the United Democratic Front was a product of our people's determination to be their own liberators.(25)

And Tambo repeated that "We shall achieve victory through a combination of mass political action and organised revolutionary violence."

The outbreak of riots and terrorist attacks in several black townships in the summer of 1984 reflected in part the new tactics of the ANC as well as of other militant organizations such as AZAPO, which agitate within schools and social groups to instigate mob action within the townships to make the country ungovernable. Thus, ANC's Radio Freedom re-iterated Tambo's call for "going on the offensive":

> We have pointed out that the houses of lackeys have been petro-bombed . . . . The houses of politicians have also come under fire . . . . We attack only those we can capture or destroy. Remember: at all times, surprise is the best form of attack. When we ambush these patrols they should not be given time to even think or consider their next move.(26)

Tambo's remarks in his address of 1984 were the subject of extensive analysis and commentary by L. Mzansi in *The African Communist* later in the year. Mzansi sought to analyze Tambo's call for "united mass action of the people," in distinction to the armed struggle, in light of the ideas of the "theoretical founder" of the 1930s organization, the Popular Front against Fascism and War, Georgi Dimitrov. "The basic strategy worked out by Dimitrov and adopted by the CI [Communist International]," wrote Mzansi, "was to form the broadest possible front of democratic classes and strata as the basis of the defense of democratic rights against fascism and war."(27) Mzansi applied the concepts developed by Dimitrov to the UDF role in "united mass action."

The "political action" envisioned by Tambo and Mzansi, it must be emphasized, is not peaceful or democratic in any Western sense but is oriented to the further expansion of armed struggle beyond the confines of MK to the broader black population. "Comrade Mzala" emphasised this point in an article in *Sechaba* in January, 1985:

> Our task in this regard is to continue as we are already

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> doing to form the nuclei of armed guerrilla units, operating both in the towns and countryside, which should exist not merely to fight to destroy the enemy's military strength, but also to shoulder such important tasks as mobilising the masses, organising them, arming them, and helping them to form revolutionary organs of self-government . . . . At the grass-roots level, armed struggle must be demystified, workers and peasants should be capable of imagining that they themselves are capable of carrying out combat operations.(28)

In his anniversary message for 1985, Tambo praised the combination of political and armed struggle for its accomplishments in furthering the revolutionary processes, and he singled out for commendation the militant trade unions, the students and working youth, and women, and called for further "organisation and mobilisation of our rural masses." "As we stated last year," said Tambo,

> . . . our struggle consists of four interlinked and mutually reinforcing elements. These are, first, the vanguard role of the underground structures of the ANC; second, the united mass political action of the people; third, the armed offensive spearheaded by *Umkhonto we Sizwe*; and fourth, the international campaign to isolate the apartheid regime while winning world-wide moral, political and material support for the struggle. With regard to the second of these elements, there can be no doubt that we have registered great successes in raising the united mass action of the people to higher levels.(29)

It would seem that Tambo's self-congratulation is at least partially justified. While the ANC is not solely responsible for the continued violence in the townships and the level of terrorism in South Africa, its propaganda and political and terrorist activities certainly have encouraged and contributed substantially, and while South Africa is far from becoming ungovernable, there remain continuing problems of law enforcement and public administration in the townships where political violence has been sustained. As Tambo acknowledged, the purpose of the ANC's revolutionary violence is not so much the overthrow of the government as the establishment of an "alternative power" that will replace the existing structures of the government.

Our mass democratic and revolutionary movement

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> should emerge even more forcefully as the alternative power in our country . . . . One of our central tasks in the coming period is to transform the potential we have created into the reality of people's war.(30)

Thabo Mbeki, "publicity director" of the ANC, has also emphasized that the ANC political contacts, including international and domestic "establishment" contacts, would parallel and re-inforce the intensification of armed struggle, mass strikes, and boycotts. "We are moving close to our objective of waging a people's war of liberation," as Mbeki told the *Washington Post* in March, 1986. As the *Post* itself expressed the goals and methods of the ANC,

> It is clearly a two-track strategy – intensifying the physical pressure on the white power structure to increase its inner doubts and divisions, while trying to take advantage of these divisions to build an alliance broad enough to pressure the administration into opening the door to negotiations.(31)

Despite variations within the tactical line of the ANC over the years, there has been a persistent unity, which is reflected in similar or parallel pronouncements by the leaders of the SACP. This unity consists in a commitment to violence and organized terrorism as proper instruments of revolutionary strategy, but it is important not to over-simplify this commitment. While the ANC and its Communist allies emphasize the use of political violence, they also, in the best tradition of Leninism, emphasize the control and coordination of violence by political organizations and for political ends. War, as Clausewitz had taught and as Lenin never tired of repeating, is an extension of politics by other means and must be subordinated to political ends. The end that the ANC and SACP pursue in South Africa is the "seizure of power," and terrorism, guerrilla warfare, armed struggle, mob violence, or any other form of violence or struggle is useful only in so far as it contributes to that end. The political organization and agitation that the ANC sponsors is also subordinate to this end and intended to encourage the delegitimization and destabilization of the South African regime, to interact with armed struggle to "make the country ungovernable," to make possible the "waging of people's war," and eventually to create an "alternative government" that will replace existing political and administrative structures. Whatever faults and failures may be found in South

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African government and society, the glamorization by Western opinion leaders of the ANC and of Nelson Mandela, a principal architect of its revolutionary strategy, does little to contribute to an understanding or a resolution of South African problems and does much to obscure the brutalities for which the ANC and SACP are responsible and which their ideology and strategy fully endorse.

FOOTNOTES

(1) *Soviet, East German and Cuban Involvement in Fomenting Terrorism in Southern Africa,* Report of the Chairman of the Subcommittee on Security and Terrorism to the Committee on the Judiciary, U.S. Senate, 97th Congress, 2nd Session, November, 1982, pp. 4-7 (hereinafter cited as *Report*).

(2) *Washington Post,* February 1, 1985, p. A24.

(3) *Sechaba* (August, 1984), p. 7.

(4) *African Communist*, no. 99, 4th Quarter, 1984, p. 8.

(5) *Documents of the Second National Consultative Conference of the African National Congress, Zambia, 16-23 June, 1985* (Lusaka, Zambia: African National Congress, 1985), p. 58.

(6) *Sechaba* (March, 1984), p. 13.

(7) "ANC Honours Karl Marx," *Sechaba* (June, 1983), p. 8.

(8) *Umzebenzi*, no. 1 (1985).

(9) Nelson Mandela, "Statement during Trial," in John Gerassi, ed., *The Coming of the New International* (New York and Cleveland: World Publishing Company, 1971), p. 331.

(10) *Terrorism,* A Staff Study prepared by the Committee on Internal Security, U.S. House of Representatives, 93rd Congress, 2nd Session, 1974, pp. 60-63.

(11) *Report*, p. 21.

(12) Gerassi, ed., *New International*, p. 350.

(13) See Samuel T. Francis, *The Soviet Strategy of Terror* (rev. ed.; Washington: Heritage Foundation, 1985), chaps. 3 and 4, for more discussion of these matters.

(14) See Gerassi, ed., *New International,* pp. 350-56.

(15) "Comrade Mzala," [pseud.], "The Immediate Task of Our Movement," *The African Communist,* 3rd Quarter, 1980, p. 65.

(16) Ibid., pp. 68-69.

(17) *Foreign Broadcast Information Service/Middle East and Africa*, August 30, 1984, p. U6.

(18) *Congressional Record*, December 12, 1979, p. E6099.

(19) Testimony of Dr. Peter Vanneman, *The Role of the Soviet Union, Cuba, and East Germany in Fomenting Terrorism in Southern Africa,* Hearing before the Subcommittee on Security and Terrorism of the Committee on the Judiciary, U.S. Senate, 97th Congress, 2nd Session, I, 42.; *To The Point*, 13, June 1980, p. 12.

(20) *Foreign Broadcast Information Service/Middle East and Africa*, June 19, 1985, p. U8.

(21) *Newsweek*, September 16, 1985, p. 26.

(22) *Foreign Broadcast Information Service/Middle East and Africa*, January 18, 1986, p. J1.

(23) *Sechaba* (March, 1983), p. 5.

(24) Ibid., pp. 5 and 6.

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(25) *Sechaba* (March, 1984), pp. 4 and 8.
(26) *Foreign Broadcast Information Service/Middle East and Africa*, October 24, 1984, p. U10.
(27) *African Communist*, no. 99, 4th Quarter, 1984, p. 20.
(28) *Sechaba* (Janaury, 1985), p. 27.
(29) Ibid., (March, 1985), p. 9.
(30) Ibid., p. 12.
(31) *Washington Post,* March 7, 1986, p. A29.

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CHRISTIAN AID: THE POLITICS OF CHARITY

By Bernard Smith

The British Charity known as Christian Aid (CA) is a department of the British Council of Churches (BCC) and its Board of Trustees and Director are appointed by that council. The British Council of Churches is itself an associated council of the World Council of Churches (WCC) and is bound by its constitution to advance the aims of the WCC. It does this partly by advancing the views and goals of the WCC throughout Britain, and also by collecting funds for the various WCC aid programs which – as has been well documented and we will see later – include aid to African terrorist organizations.

Is Christian Aid Intended to be Political?

This question has been answered by the Reverend Dr. Kenneth Slack, former Director of Christian Aid, preaching in Westminster Abbey:

> Christian Aid's role is not just that of a relief organization, of a supplier of palliatives...Christian Aid is committed constantly to be seeking disturbing change – change that will give power to the powerless, that will set the cry for justice on the lips of those who have been trodden into the ground...If this be political, then I say to you that the whole gospel is political...Christians must be political and therefore Christian Aid must be political...(1)

Dr. Slack was succeeded in 1982 by the Rev. Dr. Charles Elliott, who stayed only briefly, retiring suddenly and without explanation in September 1984. Dr. Elliott was also convinced that charity was not enough – there must also be revolutionary change. At the 1978 Lambeth Conference he said:

> We can no longer pretend that the social and economic structures of our civilization will enable the 600 million people who lack for food, shelter, water and clothing to meet their basic needs. If we take the Gospel seriously, we are obliged to engage in revolutionising those structures. From that there can be no escape.(2)

These quotations suggest that the age of "soup kitchen" charity is over: we have entered the era of the political charity.

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Let us examine some examples of CA charity to see what this means.

Christian Aid and the 'New Internationalist'

The monthly magazine of Third World politics entitled "New Internationalist" was financed by CA and OXFAM from its first issue in 1973 until 1981: CA's contributions were in excess of £100,000. Both charities withdrew their support on the advice of the Charity Commission but issued a statement saying that they still supported the magazine's objects. What are these objects? They are frankly stated by the publisher in each issue:

> To report on the issue of world poverty; to focus attention on the unjust relationship between the rich and the poor worlds; to debate and campaign for the radical changes necessary within and between nations if the basic needs of all are to be met; and to bring to life the people, the ideas and the actions in the fight for world development.

The leaders of CA and OXFAM repeatedly denied any editorial responsibility. CA helped to finance the magazine, said Dr. Slack, "to create a forum for debate."(3) But it was a forum where only one side was allowed to speak. The issue for May 1979 shows the characteristic political bias. It purported to be a "Human Rights" issue. It had an article on the deprived Indians of Canada and another defending the claim of Andrew Young, U.S. Representative at the United Nations, that there were "hundreds, perhaps thousands" of political prisoners in the U.S.A. A full-page article, headed "Slipping Into Darkness," described the West German government's fight against the Baader-Meinhof terrorists. It began:

> An autistic child huddles in a corner, locked in his own self-delusions, occasionally flailing out at the world of reality he cannot comprehend. His obsession with himself prevents him from rationally communicating with or understanding the people around him.

What might be thought to be a picture of a terrorist is, in fact, the writer's view of the people of West Germany – "an autistic nation." Democratic society, he says, is endangered not by the terrorist but by the "militarized" German police.

In this issue on Human Rights there was no article on Communist countries: only in the West, it seemed, were Human Rights denied.

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That example could be multiplied many times: it is representative of the magazine's crudely anti-Western, anti-capitalist stance. Two-thirds of the human race are living in poverty and hunger because of the selfishness of the other third. The power of the Western nations must be broken if the hungry are to be fed and economic justice secured. The magazine seems to be motivated less by a desire to help poor countries than to damage rich ones. It recalls a recent remark by economist Lord Bauer:

> There are various disaffected groups in the West which have come greatly to dislike private property and the market system. Some of these groups envisage the Third World as a weapon in what is in effect an undeclared, one-sided civil war in the West.(4)

Christian Aid and the 'Community and Race Relations Unit'

CA is one department of the British Council of Churches and CRRU – the Community and Race Relations Unit – is another. CRRU has a Projects Fund that makes grants every year to about 100 groups in Britain that are "offering active resistance to society's oppression of black people."(5) CA makes an annual grant of money to CRRU to be used to aid groups approved by CA. In 1984 CA gave CRRU £123,000. A list of organizations that benefit is published annually by the British Council of Churches. The recipients are mostly obscure West Indian and Asian groups. Their full addresses are not given and the descriptions offered are brief and too often misleading. Here is one from the 1980 Grants List:

> *Alinsky Community Training Project,* Liverpool. A training scheme to promote self-organization among the Liverpool black community, using the techniques developed by Saul Alinsky in the USA. The grant helped with teaching expenses.

CA gave the group £1,550. Few English people reading that description would know that Alinsky was an American revolutionary who organized workers on military lines to challenge the civil authorities. Alinsky trained "community organizers" whose aim was "to develop sufficient mass power to force municipal government to change their oppressive domination of the poor." The organizer acts as

> . . . a veritable general . . . for this theory is essentially military . . . it relies on the capacity of neighbourhoods

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> for militant disruptive power . . . . Alinsky emphasises offense . . . .(6)

The money from CA helped, we are told, with "teaching expenses." We are now in a better position to know what the Liverpool blacks were being taught.

A complaint was made to the Charity Commission by a member of the public on the grounds that since the Alinsky Project was clearly a political group the grant was contrary to charity law. It took the Commissioners over a year to decide that "financial support for the Alinsky Project could not be construed as legitimate use of charitable funds."(7) CA assured the Commission that no further grants to this group would be made. But how many grants to similar groups go unnoticed by those who put money in Christian Aid envelopes?*

Christian Aid and Development Education

The popular idea that all the money collected by CA goes to feed the hungry and clothe the poor is mistaken: a great deal goes to prepare the general public for the revolutionary changes advocated above. This is called "development education." In 1984 CA spent £579,861 on development education in Britain and £443,537 on "overseas students." Some insight into what "development education" means may be gained from the fact that in 1978 the Charity Commission ruled that grants made by CA to a department of World Council of Churches known as CCPD – the Commission on Churches' Participation in Development – were unlawful since the objects of CCPD were to "finance political action, mobilize public opinion and effect structural change within societies."(8) The following is an extract from a CCPD publication:

> Development education is more than information. Through it motivation can develop for political action by groups, aimed at policy changes through pressure on decision-makers, or at organising to confront the establishment.
>
> In countries where conditions are reasonably favourable, groups exist that are committed to change, social justice and people's participation . . . It is vital for CCPD to dialogue with and support these groups . . . One of the most important experiences arising from such involvement is that of conflict with the dominating powers of the world."(9)

* It is interesting to note that the original request for a grant to be made to the Alinsky Project came from David Sheppard, Bishop of Liverpool.

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In their own words the CCPD clearly reveal that "development education" is a euphemism for training in revolutionary politics.

Christian Aid and Human Rights

This is another area in which charity throws a flimsy veil over politics. In the first quarter of 1979 CA made grants totaling £425,804 to seven groups concerned with "human rights" in South America. The Charity Commission ruled against all of them on the grounds that "there is nothing inherently charitable in investigating and documenting violations of human rights." One of the seven groups was the Guyana Human Rights Association. The following is CA's own account of what the money was given for:

> To complete the funding of a report they have prepared documenting the irregularities and fraudulent nature of the referendum held in July 1978 to legitimise changes in the constitution, without a popular vote being necessary. Publication of this report and its distribution throughout the Caribbean will not only bring pressure to bear on the Guyana government but demonstrate the need for constitutional safeguards for civil liberties in other Caribbean states. (10)

It appears from this that CA's sole object in making the grant was to hold up to public odium the government of a friendly Commonwealth country. Had it not been for one person who complained to the Commission this is another grant that would have passed unnoticed by those who donate to CA. Not unreasonably, they assume that their money is being used to feed and clothe the needy.

In the teeth of the Commissioners' ruling against "human rights" grants, two more such grants were made by CA in 1980: one of £2,500 to the BCC's Advisory Forum on Human Rights and the other of £1,500 to the Chile Committee for Human Rights; the latter was for "educational material" about Latin America. Again, as a result of a complaint, the Commissioners ruled against them.

Christian Aid and South West Africa's Peoples Organization (SWAPO)

Between 1978 and 1982, CA gave £35,000 to refugee camps run by the Namibian terrorist group SWAPO. The fact that

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such camps often contain children and adults who have been abducted or otherwise forced to leave their own country to be trained as terrorists is ignored by CA. It also ignores the long list of atrocities committed by SWAPO against the civilian population of Namibia.

When Members of Parliament from the All-Party Namibia Parliamentary Group visited Namibia in January 1985 they reported that the Anglican Church there is locally known as "the religious wing of SWAPO" and were surprised by its "apparent open commitment to SWAPO." They also found that many Namibians, both black and white, regard the Namibian Council of Churches "as leaning towards support for SWAPO." In the year July 1984 to July 1985 this organization received grants from CA totalling £123,000.

Christian Aid and Nicaragua

When Charles Elliott took over from Dr. Slack as Director of CA, he spent a week in Nicaragua with the Witnesses for Peace, a group of "peace-activists" who had stationed themselves on the border between Nicaragua and Honduras to forestall, by non-violent means, any possible U.S. invasion of Nicaragua. Dr. Elliott was accompanied from this country by Dr. Michael Hollings of Notting Hill and Keith Sutton, Bishop of Kingston. On his return, Dr. Elliott wrote a piece for Christian Aid News under the heading "Nicaragua's Spirit of Forgiveness" from which the following is taken:

> Again and again we met people, from simple campesinos to ministers of state, who emphasized to us the readiness of the people of Nicaragua to forgive and be reconciled with those who currently harass and kill them . . . The key point is this. Because Christian values are at the heart of the Nicaraguan experiment, forgiveness, political forgiveness is central in political and social attitudes. What a lot we have to learn from that! (11)

Elliott's rhapsodic account of Marxist Nicaragua was matched by a double-page article in the previous issue of this paper subtitled "In Nicaragua 'the Kingdom of God is built with great effort.'"

It is now a year and a half since Elliott's visit and the latest news from Nicaragua suggests that the Kingdom of Heaven is still some way off. The following report is taken from the *Financial Times*, 17th October 1985:

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> The state of emergency, announced late on Tuesday, gives the Nicaraguan government and its security services sweeping powers of arbitrary arrest, detention and investigation. The right to Habeas Corpus has been removed as has the right of appeal. Telecommunications and mail can now be subject to interception, and homes and offices can be subjected to spot searches without prior authorisation of the civil powers. Rights to free assembly, freedom of expression and the right to strike have all been suspended and a new wave of heavy Press censorship is anticipated.

Evidence that Nicaragua is a repressive Marxist dictatorship leaves CA undisturbed. In Nicaragua, CA believes, the long-awaited "revolution of the poor" has triumphed and is now menaced by the armed might of capitalist America. As a political myth it is far too useful to be discarded merely because it conflicts with the facts. Accordingly, CA has given £2,300 to a group called Church Action for Central America (CAFACA) to finance the production of posters aimed at American tourists in London. The posters depict homeless Nicaraguan children and bear the caption "Pray that Nicaragua be left to live in peace."(12)

Christian Aid and Disarmament

In *Christian Aid News*, dated April/June 1982, CA identified itself with the disarmament movement. Its editorial denounced the British Government's decision to buy the U.S. Trident 2, described the notion of a "credible nuclear deterrent" as "obscene" and urged CA supporters to attend the mass lobby of Parliament on April 27th organized by the United Nations Association. The object of the lobby was to stop the "arms race" and limit the export of weapons.

In the same issue, on the opposite page, was an article headed "Blood on our Hands" arguing that our first duty as Christians is to spend our money feeding the hungry rather than on armament: "for the price of one jet fighter we could set up 40,000 village pharmacies." It ended with the slogan, "Disarm for development." Presenting the reader with a "clear choice – guns or bread," the writer did not consider the possibility that a sensible society might want to defend itself as well as feed itself.

The author of the article was Professor John Ferguson, President of the Selly Oak Colleges at Birmingham which, we

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are told, offer a wide variety of "Christian studies." He is also Chairman of the United Nations Association and was formerly Education Secretary at the BCC.

Christian Aid and Shell International

In 1983, CA linked itself with TRAIDCRAFT, a non-profit making, mail order group that imports goods from the Third World to sell in the United Kingdom. Its object is to benefit the producer rather than the consumer by creating employment in the Third World. "Traidcraft upholds love rather than profit maximization as the guiding principle behind its trading activities."(13) The attraction of this for CA, which holds Western capitalism responsible for the poverty of the Third World, is plain.

In the CA/Traidcraft Spring Catalogue for 1984 is a page of cartoons and captions. Prominently displayed is a remarkably silly aphorism by the playwright Bertolt Brecht, a Stalin Peace Prize Winner: "Famines do not occur, they are organised by the grain trade."

More interestingly, on the same page is the following:

> Shell is now the largest seed merchant in the world. By buying up seed patents, it can make sure only varieties needing fertiliser etc., are available . . .

Adjoining that text is a cartoon showing a peasant receiving a packet of Wonder seeds and thinking:

> I'm going to need Wonder Fertiliser, Wonder Irrigation, Wonder Herbicides, Wonder where I'll get the money.

A Shell shareholder sent this page to Shell International and got a reply from B.N. Fox, Head of Agricultural Public Affairs, from which I extract the following:

> It was good of you to draw our attention to the item since it is in fact erroneous . . . The statement that 'Shell is now the largest seed merchant in the world' is incorrect. There are in fact many private and public companies a great deal larger.
>
> The second claim that 'by buying up seed patents' etc., implies that Shell Companies manufacture fertiliser, which is not so.
>
> It may additionally imply that by breeding disease-susceptible varieties we are forcing farmers into buying more Shell plant protection chemicals. This allegation is insupportable on a business basis alone. Who would buy

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such varieties when more resistant alternatives are freely available from other breeders?

There is no Shell policy of 'buying up seed patents'. The implication that Shell is monopolising seed patents can be put into perspective by the latest EEC Common Catalogue of Plant Varieties (1981). This lists over 220 varieties of barley of which approximately 8% are owned by Shell Group companies.

Mr. Fox's reply is a comprehensive demolition of CA's allegations. In light of his comments the charity is perhaps fortunate not to have been served with a writ for defamation.

Christian Aid's New Director

In June 1985 CA announced the appointment of the Rev. Michael Taylor to succeed Dr. Elliott. The Rev. Taylor is Principal of Northern Baptist College, Manchester, which trains men for the Baptist ministry. He lectures in Ethics and Theology at Manchester University and is Vice-Moderator of the WCC's Programme on Theological Education.

After a six-weeks visit to South Africa he wrote an article for Christian Aid News headed "Heroes and Heroines in a Land Divided." The Anglican Church in South Africa disappointed him – it "seems to have failed to empower Christians for social action." Of the Baptist Church he writes:

> It is true that my own Baptist Church supports the status quo by its pietism; but I met a charismatic fellowship wide awake to its political responsibilities, and Baptist anti-war protestors who had gone to prison for the sake of conscience.

What is needed in South Africa, we are told, "is not a token gesture by the Church but radical political change: reconciliation yes, but not without mustice."(14)

British Taxpayers' Forced Contributions to Christian Aid

Every charity exempted from taxes by government reduces the tax-paying base, and results in a higher level of taxes to be borne by tax-payers who do not have this privilege. When one observes tax-exempt charities and organizations in any country regularly involving themselves in political activities, one wonders at the fairness. The essence of a charity is that it is voluntary; why therefore should other taxpayers be forced

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to give? In particular, those who do not share Christian Action's political views may very reasonably object to the situation.

FOOTNOTES

(1) Church Times 9th September 1977.
(2) Church Times 28th July, 1978.
(3) Daily Telegraph 19th April, 1978.
(4) Peter Bauer "Equality, the Third World and Economic Delusion."
(5) Project Fund's Criteria for Grants (BCC, 1982).
(6) Essay by Milton Kotler in "Radical Sociology" ed. by D. Colfax (1971).
(7) Letter from Charity Commission to complainant, 5th February, 1982.
(8) Report of the Charity Commissioners for 1978, p. 12, para. 27 (HMSO).
(9) CCPU Strategy Paper, June 1973.
(10) Christian Aid's Allocation fo Funds List, January/March 1979.
(11) Christian Aid News, April/June 1984.
(12) British Weekly 16th August, 1985.
(13) Christian Aid News July/September 1983.
(14) Christian Aid News July 1985.

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POLICY WITH UNEASY IMPLEMENTATION: U.S. RADIOACTIVE WASTE MANAGEMENT

By Yearn Hong Choi

Radioactive waste has been generated in the U.S.A. since the Manhattan Project in 1943. In the forty years since the Project ushered the world into the Nuclear Age, the use of nuclear energy, and products thereof, as well as the reliance upon nuclear defense, have been both popular and prolific. However, this nation and other industrial nations have not yet found satisfactory ways to dispose of nuclear waste. Past governmental and scientific efforts to manage radioactive waste have not always been politically and technically adequate. Human fear of radioactivity still prevails. No one wants radioactive waste and no one likes it. The animosity toward radioactive waste is much more fierce than it is toward chemical waste, solid waste, or even a prison in one's backyard.

By late 1980, the 96th Congress reached some consensus on comprehensive legislation to deal with high-level waste, low-level waste, transuranic waste, and spent fuel. This legislation incorporated many of the principle recommendations of the Inter-Agency Review Group and State Planning Council on Radioactive Waste Management. However, in the last week of the session, an impasse arose over two issues: 1) the application of the policy of defense high-level waste and transuranic waste, and 2) the role of the Federal government in the storage of commercial spent fuel. On the last day of the session, the Congress broke out those provisions of the omnibus bill dealing with commercial low-level waste and passed the 1980 Low-Level Radioactive Waste Policy Act.

The Act has, however, not been properly implemented. This paper discusses major issues and problems resulting from the implementation of the Act. More than three million cubic feet (84,900 cubic meters) of low-level radioactive waste generated by nuclear power reactors, medical research institutions, and industrial facilities in the United States were placed in commercial burial grounds in 1980. The 1980 waste was 400,000 cubic feet more than the 1979 waste (See Table 1). It is expected that the United States will generate increased quantities of radioactive waste in the future. Other industrial nations will see

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Table 1. Annual Disposal of Low-Level Wastes by Burial Site

Location	1979 Volume[a,b] Cubic Meters	Cubic Feet	Percent of Total
Barnwell	63,443	2,240,456	79.4
Beatty	6,491	229,226	8.1
Richland	9,980	352,438	12.5
Total	79,914	2,822,120	100

Location	1980 Volume[c,d] Cubic Meters	Cubic Feet	Percent of Total
Barnwell	54,725	1,932,320	58
Beatty	13,502	450,083	14
Richland	26,521	876,469	28
Total	94,521	3,258,872	100

[a]Includes approximately 7300 cubic meters (258,000 cubic feet) of government and military waste.
[b]Data from *The 1979 State-by-State Assessment of Low-Level Radioactive Wastes Shipped to Commercial Burial Grounds*, NUS-3440, Revision 1, November 1980.
[c]Includes some government and military waste. The approximate volume is unknown at present, but it will be less than the 1979 volume.
[d]Data obtained by E. A. Jordon, Department of Energy, in telephone conversations with site operators in January and July, 1981.
Source: U.S. Department of Energy, *Low Level Radioactive Waste Policy Act Report*, July 1981, p. 2

Table 2. Federal Waste

Organization	Annual Volume (cubic feet)	(cubic meters)	Type
Department of Agriculture	3,000	84.9	Lab
Department of Defense			
Army	12,200	345.26	Med/Lab
Navy	32,000	905.6	Med/Lab/nuc. reactor
Air Force	3,000	84.9	Med/Lab
Department of Health and Human Services			
National Institutes of Health	15,000	424.5	Med/Lab
Center for Disease Control	500	14.15	Med/Lab
Food and Drug Administration	1,000	28.3	Lab
Environmental Protection Agency	500	14.15	Lab
National Aeronautics and Space Admin.	250	7.075	Lab
National Bureau of Standards	150	4.245	Lab/nuc. reactor
Veterans Administration	11,000	311.3	Med/Lab
Total	78,600	2,224.38	

Source: Department of Energy Low-Level Waste Program Manager, 1983.

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the same trend.

From the passage of the Atomic Energy Act in 1954, through several revisions, and to the present, Congress has reserved for the Federal government complete control of the safety and nuclear aspects of energy generation. Traditionally, the states exercise authority over economic questions, such as the need for additional generating capacity, the type of generating facilities to be licensed, land use and rate-making.

The Low-Level Radioactive Waste Policy Act of 1980, however, created a new Federal-State relationship in the area of nuclear waste management and is a dramatic departure from a past in which Federal laws and regulation either predominated or entirely preempted state authority. Conflicting interpretations of this act and frequent conflicts with the interests of the individual states create obstacles to the new Federal/State relationship that the Act is intended to implement.

The Act:

* makes states responsible to ensure capacity either within or outside the state for the disposal of commercial low-level radioactive waste generated within its borders;

* encourages the handling of low-level radioactive waste on a regional basis; and

* allows states to enter into compacts which may restrict the use of regional disposal facilities to waste generated within the region.

The formation of regional interstate low-level waste compacts has provided a basis for states to assume the responsibilities outlined: Northwest (Washington, Oregon, Utah, Idaho, Alaska, and Hawaii); Southeast (South Carolina, Georgia, Alabama, Mississippi, Florida, North Carolina, Tennessee, and Virginia); Rocky Mountain (Nevada, Wyoming, Colorado, Arizona, and New Mexico); Midwest (Illinois, Indiana, Ohio, Michigan, Wisconsin, Minnesota, Iowa, Missouri, South Dakota, North Dakota, Nebraska, and Kentucky); Northeast (New York, Pennsylvania, Maryland, Delaware, Massachusetts, Connecticut, Rhode Island, Vermont, New Hampshire, and Maine); Central (Kansas, Arkansas, Nebraska, and Louisiana); Northern New England (Vermont, New Hampshire, Maine); and Western (Arizona, and California). West Virginia currently remains unaffiliated. Texas has declared its independence from such regional compacts.

Five specific issues must be addressed in order to imple-

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ment the Act and thereby establish equity among the 50 states and interstate regional compacts.

Defining Low-Level Radioactive Waste

Conflicting definitions of low-level radioactive waste have impeded Congressional ratification of certain regional compacts. While the Act does not define types of radioactive waste, it does state what low-level radioactive waste is *not*. It is not high-level waste, transuranic waste (i.e., waste with merely less radioactivity than would qualify it for disposal elsewhere), spent nuclear fuel, or uranium mill tailings. Both the Senate and House versions of the parent legislation of which the Act was a part would indicate Congress did not intend to change the definition of the nature of low-level radioactive waste. However, almost all compacts use definitions which differ from the Act's definition and from each other. To complicate the matter further, the Nuclear Regulatory Commission, in its regulation, Licensing Requirements for Land Disposal of Radioactive Waste, changed the transuranic limit for low-level waste from 10 nanocuries to 100 nanocuries per gram.

Most compacts exclude radioactive waste containing more than 10 nanocuries per gram of radioactive material; this exclusion is not contrary to the Act. However, the Nuclear Regulatory Commission now regulates low-level waste on the basis of specific radioactive materials contained in the waste, while raising the limit to 100 nanocuries per gram. These regulations thus allow what some groups define as intermediate-level waste to be included in the category of low-level waste. Therefore, the term "low-level" is less a classificaton than it is a grab bag. The practical effect is that some states tend to resist new Commission regulations.

State Responsibility for Federal Waste

Most states are reluctant to receive and dispose of waste generated by the Department of Defense, the National Institutes of Health, the Veterans Administration hospitals, the Department of Agriculture, and other federal organizations and agencies (see Table 2). In fact, the Northwest and Rocky Mountain states all exclude Federal waste from their facilities.

The interpretation given to the Act by Congressman Morris Udall, of Arizona, in December 1980 was the following:

> Compacts established under the act will not be applica-

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> ble to low-level wastes produced by Federal activities. The Federal government, not the States, is and should be responsible for the management and disposal of federally produced wastes. Under the terms of this bill, each state becomes responsible for the disposal of all non-Defense and non-Federal research and development low-level radioactive waste generated within that state. (*Congressional Record,* 1980)

Federal waste (other than that produced by the Department of Energy) currently shipped for disposal at commercial sites amounts to approximately 78,600 cu. ft. annually. It is generated primarily from medical and laboratory research, medical diagnosis and treatment, and the operation of nuclear reactor plants. Federal agencies produce low-level radioactive waste from both routine operations and from research and development activities. In many cases one facility produces both types. No distinction is made in treatment, packaging or disposal of the low-level radioactive waste produced in both types of activities. Past practice has been that, except for special or unusual waste, all waste shipped for disposal by the federal agencies has been to commercial disposal facilities.

Most waste from this type of federal medical and laboratory research and development is no different from low-level radioactive waste produced by research and development performed by private companies, hospitals or universities. It is composed of paper, rags, used equipment and other items normally considered laboratory trash, plus used laboratory fluids and animal carcasses. This is typical of waste produced by routine medical and laboratory practices as well.

Low-level radioactive waste from routine operation of Defense Department nuclear reactor plants is very similar to that produced by commercial nuclear power plants and such waste includes not only trash from general maintenance and operating practices, but also spent resins and filters used to keep the nuclear systems purified. (Department of Energy, 1983)

The Low-Level Radioactive Waste Policy Act exempts from compacts under the Act, or from actions taken under such compacts, low-level radioactive waste from both "atomic energy defense activities" of the Department of Energy and federal research and development activities. The term "atomic energy defense activities" is explicitly defined. However, the term "federal research and development activities" is not

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defined by the Act. This lack of clarity has created some concern. Most states do not want to store federal waste, especially Defense Department waste.

The Defense Department has done little to correct the public impression that the 45,000 to 50,000 cubic feet of low-level radioactive waste it generates annually (about two percent of the nation's total) is more dangerous than that produced by other federal or commercial activities (Cho, 1984). The Department does not have its own disposal facilities and considers it unwise to establish separate disposal sites on its own lands. It may be reasonable if the federal wate be disposed at commercially available sites. Development of waste sites to handle only a small amount of waste would increase the disposal costs and represent an undesirable proliferation in the number of low-level waste sites in the country.

Liabilities and Protection

Another problem is the relationship, with regard to liabilities and protection between disposal-site states and user states, and between disposal-sites states and the Federal government. For example, the Northwest compact requires that an out-of-region user of the Hanford site obtain from the user's own state a "certificate of compliance." This certificate would, in effect, indemnify and hold harmless the state of Washington for any consequences of the disposal, in Washington, of the generator's waste, if the generator did not follow all appropriate Washington rules and regulations. There may be potential user states whose constitutions or statutes prohibit the issuance of a certificate of compliance which would pass Washington's muster.

Federal agencies doubt that a state would accept any liability for federally generated wastes. There usually is present a "binding agreement" requirement which places Defense Department and other federal agencies in an unclear position in those cases where such an agency must, or would like to send wastes across compact-state borders. For example, the Northwest compact provides that low-level waste generated outside the compact party states may be accepted for disposal within the Northwest compact region only if such waste is accompanied by a "binding agreement by the state of origin to reimburse any party state for any liability or expenses incurred as a result of an accidental release of such waste during shipment, or after such waste reaches the facility." Federal liability under these circumstances should be determined under existing federal

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statutes, e.g., the Federal Tort Claims Act (which in 1946 stipulated that the United States Government cannot be sued without its consent), and not be altered by requirements imposed by various state compacts.

Federal/State Regulations

Several regional compacts provide for state inspection of Nuclear Regulatory Commission licenses and mandate state enforcement of federal regulations and requirements. A state that desires to undertake responsibility for on-site inspections of licensees may enter into an agreement with the Commission, under Section 274 (i) of the Atomic Energy Act, to do so. Any such agreement is justification for requiring, as a number of the compacts do, each agreeing state to enforce federal packaging and transportation requirements. However, imprudent use of this provision may result in unnecessary duplication of federal requirements. Individual states may also be prevented from choosing whether they desire to shoulder this enforcement burden, or prefer to have federal agencies conduct inspection and enforcement activities. Licensees prefer that compacts provide for optional state enforcement of federal packaging and transportation requirements rather than mandating such enforcement. In addition, it should be made clear that state inspection of NRC licenses should be solely pursuant to a section 274 (i) agreement. States may expect the Commission to reimburse them for the inspections and functions that the states conduct under such an agreement, considering regulatory and licensing inspections to be the Commission's job.

Another difficulty likely to inhibit interregional cooperation is that under the new federalism several of the packaging and transportation provisions appear to permit states to adopt standards which are inconsistent with existing federal requirements.

More stringent state and compact regulations reflect the looseness of past NRC and the Transportation regulations. The Atomic Energy Act not only preempts such stringent requirements, but the imposition of differing standards from region to region could also result in a patchwork system of inconsistent requirements. This could place an undue burden on waste generators and shippers, render compliance more difficult, and jeopardize the safe and efficient movement of low-level waste. Clarification should be provided by Congress to assure that

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compacts do not affect the existing Federal-State relationship in the regulation of packaging and transportation of waste (Axelrad, 1983).

Disposal and Management

The states and compacts also challenge the Nuclear Regulatory Commission's narrow interpretation of the scope of the Act. The Commission and other Federal agencies interpret the Act to provide states with regulatory authority only over the matter of waste disposal, and not to provide authority for state regulation of waste generation, treatment, or similar activities that are not part of waste disposal.

The Northeast compact states, however, argued before the Senate Judiciary Committee in 1983 that:

> The Act speaks both to the disposal of low-level waste and to its safe and efficient management on a regional basis. The Northeastern states believe that the ability to provide a regional system for low-level waste disposal requires a comprehensive system which includes all aspects of management relating to safe and efficient disposal (Northeast Compact, 1983).

For the Act to be effective, then, Congress should clarify the definition of low-level waste, the concept of federal waste, liabilities and responsibilities between host state and user states as well as host states and Federal government, acceptable boundary lines between Federal and state regulations pertaining to packaging and transportation of low-level waste, and the scope of interstate compact authority.

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ECONOMICS AND THE REAL WORLD

By Dipendra Sinha

Alfred Marshall defined economics as "a study of mankind in the ordinary business of life; it examines that part of individual and social action which is most closely connected with the attainment and with the use of the material requisites of well being."(1) A close examination of the definition indicates that economics should be very closely related to reality. The time is ripe now to have a look at the present state of economic science — how close are current economic theories to the real world? Can economic theories describe the real world adequately? Or are we moving away from reality in an attempt to convert economics into a "hard science"?

Doubts have been cast in recent years by eminent economists as to the relevance of economics in its present form. Thus, Joan Robinson(2) finds a second crisis in economic theory. The crisis, according to her, emanated from the neoclassical attempt to put Keynesian economics into an equilibrium mold. The consequence was that the key ideas of Keynes, namely, the role of time and uncertainty, were pushed aside. Leontief(3) argues that in our desire to emulate hard sciences, we now have a very weak empirical foundation of economics on which we have put a complicated superstructure which is elegant in mathematics. We create facts to fit the theoretical structure. Brown(4) is of the opinion that the basic assumptions of economics are not drawn from reality. The abstract models in economics have little to do with reality. He argues that extensive use of statistics in economics is likely to deceive rather than reveal. The solution, according to Brown, is to move closer to other disciplines like sociology and political science. Kaldor(5) has shown how general equilibrium analysis as developed by Walras, Arrow and Debreu is irrelevant as an apparatus of thought to deal with the way in which economic forces operate or to predict the effects of economic changes.

Much of the criticisms centers around the excessive use of mathematics and statistics in economics in recent years. Economics is not a precise science. It concerns human behavior. While it cannot be denied that mathematics is a useful tool in the hands of economists, the excessive use of it in economics

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may obscure reality. Mathematics is not a perfect substitute for language. In short, although less precise, natural language is more flexible in conveying meaning and much richer in vocabulary than mathematics.

Although both Keynes and Marshall had very rigorous mathematical training, they believed that it was not possible to apply exact mathematical models to economics. Keynes believed that economic analysis requires an 'amalgamation of logic and intuition and the wide knowledge of facts, most of which are not precise.'(6) Use of mathematics in economics may sometimes create a false sense of certainty according to Streeten.(7) Thus, the correct deduction of logical conclusions may be falsely taken as the discovery of facts about the real world.

Friedman(8) argues that the test of an economic hypothesis is successful prediction. He thinks that it matters little whether the assumptions are realistic or not. But as Karmack(9) points out, there are two basic drawbacks in taking such a position. First, it ignores one of the important functions of a scientific theory, i.e., to provide an understanding of the events and processes that underline such a prediction. Second, there is no guarantee that even a theory based on unrealistic assumptions would continue to provide successful prediction in the future even if it had appeared to do so in the past.

This paper attempts to evaluate where different branches of economics stand with respect to the real world. Although there will be some overlapping, our discussion will proceed under three broad headings, namely, microeconomics, macroeconomics, and econometrics.

Microeconomics

The fundamental assumption of consumer behavior theory is that consumers are rational and selfish. Given the limited budget, consumers know which commodities will maximize their utility. Most economists have accepted this position. Thus, for example, Robbins(10) thinks that such an assumption is obvious. As Karmack(11) has argued, there is an inherent lack of precision in consumer preference orderings.

As Koopmans points out, "...this interpretation denies the consumer such privileges as the joys in random variability in consumption, as well as its opposite, the comfort of consumption habits somewhat rigidly maintained under varying circumstances.... Finally,... the postulate denies him the noble urge to

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respond with sacrifices to the distress of others, as well as the less highly regarded gratification in conspicuous levels or forms of consumption outdoing those of others. Nevertheless, almost every consumer values these privileges, and regards them as part of his normal experience and motivation."(12) On a similar vein, Collard argues, "The standard assumption of self interest is simply a special case. It ignores those non-selfish elements in his behavior of which man has always been conscious and has to be stretched to the very limit to accommodate everyday instances of altruistic conduct."(13)

Although maximization of satisfaction is considered the desired goal for the consumers, the approach seems to be very simplistic.(14) The concept is very ambiguous. Maximization of satisfaction loses its predictive power because any course of action may be said to lead to maximum "well-being" because we have no objective measure of whether that well-being is really maximized or not.(15)

The implicit assumption behind the theory of consumer behavior is that consumers do have all the knowledge of what combinations of commodities are available, their quality and their price. But perfect knowledge is not a realistic assumption because gathering information is a costly process.

Objections can also be raised to the two basic postulates of entrepreneurial behavior, namely, profit maximization and perfect competition. Although here also one can take the Friedmanian position that assumptions do not matter, we have already seen the shortcomings of such an approach. A number of economists have found fault with profit maximization as the accurate description of the goal of corporations. Baumol, for example, emphasizes growth-maximization as an objective, but subject to earning some desired level of profits. On the basis of the corporations he studies, Marris finds growth-maximization to be the objective, but with sufficient profits to prevent threats of displacement to the managers.(16)

Arndt(17) has brought out an interesting point regarding the law of diminishing returns which is used so extensively in microeconomics. This law, which is attributed to Turgot, is a technological law rather than an economic law, although it has been considered a major constituent of economic theory. Because the law of diminishing returns is a noneconomic law, no cost curves can be derived from it.

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Macroeconomics

More than any other branch of economics, macroeconomics is in a state of flux at present. There is no ruling "paradigm" in the Kuhnian sense. At least three distinct schools of thought, namely Keynesianism, monetarism and new classical macroeconomics, exist side by side. Another school of thought which is more issue-oriented is supply-side economics, which supposedly forms the intellectual base of the Reagan administration's programs and policies. We will restrict our discussion mainly to the reasons of the 'alleged' failure of Keynesian economics and to enquiring how close the new classical economics and supply side economists are to reality.

Macroeconomics, in the true sense of the term, did not exist before Keynes. The ruling paradigm in economics was that of classical economics. The greatest blow to classical economics was the Great Depression of 1929 and the consequent massive unemployment. The situation could not be explained by classical economics. The alternative explanation was provided by Keynes who for the first time pointed to the possibility of the prevalence of involuntary unemployment. Consumption function, liquidity function and investment function are the three elements of the Keynesian system. One way of expressing the sequence of events in intellectual history is thesis, antithesis and synthesis. This accurately describes the situation at hand. The prevailing thesis was the classical economics. The anti-thesis was provided by Keynes. But out of these came the neoclassical synthesis or the income-expenditure approach. This was developed mainly by Hicks(18) and Samuelson. Thus, Keynesian economics was put in the equilibrium mold although it was not meant to be equilibrium economics to begin with.

As Paul Davidson points out, "...despite its name, the neoclassical synthesis was not really a synthesis of neoclassical with Keynesian ideas (as it purported to be) but merely the reassertion of the neoclassical framework with the addition of some Keynesian 'macro' terminology."(19) He believes that the neoclassical synthesis is basically pre-Keynesian. He sees the perceived failure of Keynesian economics to deal with the complex problems of today to be really a failure of the neoclassical synthesis.

The three key elements in post-Keynesian economics which were lost in the neoclassical synthesis are 1) The economy is a

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historical process. 2) In a world where uncertainty is unavoidable, expectations have an unavoidable and significant effect on economic outcomes. 3) Economic and political institutions play a significant role in shaping economic events.(20)

Post-Keynesian economics, therefore, tries to bring back realism into macroeconomics by a proper interpretation of Keynes.

The two fundamental ideas of the new classical economics are the rational expectations hypothesis and the theory of instantaneous market clearing. It was developed by Robert Lucas(22) by combining the Friedman-Phelps analysis of the Phillips curve with the rational expectations hypothesis of Muth. But whereas Muth applied the rational expectations hypothesis only to the commodity markets at the micro-economic level, Lucas applied the idea to the entire macro-economy.

One implication of the new classical economics with respect to effectiveness of monetary and fiscal policies is that the desired result will be obtained only if people are fooled or surprised.

Despite its strong appeal in the economics profession, the realism of this school's assumptions and conclusions have been subjected to severe criticism by prominent economists.

The most severe criticism is with regard to the assumption of continuous market clearing. As Tobin(23) points out, this assumption is not based on new empirical evidence for the assumption. Similarly, the rational expectations hypothesis has also come under attack. The assumption that people have sufficient knowledge and that they use this knowledge efficiently seems to be very strong and unrealistic. The explanation of the business cycles in terms of imperfect information on the part of the agents has also come under sharp attack.(24)

The supply side economics which forms the basic theoretical rationale for the Reagan administration's economic programs is less complex than the new classical economics or the neo-classical synthesis.(25)

Supply-siders argue that the encouragement of demand is not effective and only leads to inflation. They emphasize the production of goods and services and the incentives necessary to encourage work, saving and investment. The primary determinants of these incentives are relative prices or, in particular, real after-tax rate of return.(26) Supply-siders advocate four

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policies — a large across-the-board tax cut, a cut in social welfare spending, less government regulation and a restricted rate of growth of money supply.(27) Tax cuts are aimed at increasing the take-home salary of the workers and inducing them to work harder and thus to save and invest more. A cut in social security payments is assumed to work in the same way by encouraging individuals to work harder and save more to secure the future. While the slow rate of growth of money supply is supposed to put a lid on inflation, a reduction in government regulation is expected to provide a stimulus to the more rapid growth of private industry.

The rationale for the tax cut and the incentive scheme, to quote George Gilder, runs as follows: "The average worker exerts himself at about half of capacity and the average executive is vastly less productive than the best ones. Modern economies are filled with fat, grease, and under-used or much abused manpower and industry, above ground and below. In an over-taxed system the statistics of economic limits and capacity are mostly mush."(28)

The basic ideas of supply side economics come from the old classical economics, with a similar emphasis on the Says' law and the policy of *laissez faire*. Thus, all the criticism that apply to the classical economics apply equally to the supply-side economics.

Reagan economists believe in absolute free markets. This unqualified faith in the free markets prompts them to argue that if the economy is not working as it is supposed to be working, there must be something wrong with the government's place in the economy.(29) Taxes and government expenditure are perceived in terms of market imperfections. The question that is put to them by their critics is: How would the supply siders explain the phenomenon of the Great Depression when government had a minimum role to play?

Another problem inherent in the theory of supply-side economics, as Lerner(30) points out, is that supply-siders generally equate an increase in savings with increased investment. Increased savings, even if it occurs from supply-side programs may not lead to increased investment.

Furthermore some economists have raised the question whether the Laffer curve on which the tax cuts are based is an accurate depiction of economic reality or not. Thus, a tax rate cut may not necessarily cause people to work more.(31) The

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higher take-home salary resulting from a tax rate cut may induce people to buy more leisure by working less, but Laffer rules this out by arguing that the decrease in government services resulting from the tax cut lowers people's real income and reduces their demand for leisure.

Econometrics

Econometrics emerged in the 1950s and the belief was that econometric method would be able to prove or disprove economic hypotheses, quantify economic relations and forecast the future correctly. Unfortunately, these high hopes were not fulfilled.

The large macroeconometric models such as those formulated by the Chase Econometrics, the Data Resource Inc., and the Wharton School failed to predict inflation and unemployment of the 1970s. Although these were built around the income-expenditure version of Keynes, these failures of the econometric techniques applied rather than that of theory.

There is a tendency in the profession now-a-days to use econometric methods very mechanically. The quality of research is judged in many cases by the degree of the sophistication of the methods used. As Bauer and Walters(32) point out, the more successful application of econometric methods, such as those of Solow, Friedman and Stone, are based on simple statistical methods with penetrating economic insight.

Unrealistic and trivial results may be the outcome if the researcher ignores the complexities that surround economic realities. One cannot apply econometric methods in the same way as statistical methods are applied to experimental data. Social sciences, especially economics, do not lend themselves easily to statistical methods of prediction because of the complexity of variables associated with human behavior.

The coefficient of multiple determination (r^2)has been relied upon too heavily as a measure of the success of a model without realizing that it might indicate spurious relationship. Similar misuse of the test of significance have been found by McCloskey. He notes, "Roughly three-quarters of the contributors to the *American Economic Review* misuse the test of significance. They use it to persuade themselves that a variable is important. But the text can only affirm a likelihood of excessive skepticism in the face of errors arising from too small a sample. The text does not tell the economist that a fitted

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coefficient is large or small in an economically significant sense."(33)

Several problems arise if econometric methods are not applied very cautiously. Thurow(34) identifies at least two types of problems. First, economic theory does not really tell us what secondary variables are to be held constant. Thus, one has to guard against misspecifications. Part of this problem is due to the fact that while economies are dynamic, most economic models assume independent and normally distributed errors with zero mean value. But this does not depict reality.

Conclusion

Economics is in a state of confusion. In no other branch is this confusion more visible than in macroeconomics. Much of the criticism that contemporary economics is shying away from the real world is due to the preoccupation of many economists with the degree of sophisticated mathematization in their methodology rather than a clear understanding of the complex realities that surround us. As Boulding observed, "...mathematics in any of its applied fields is a wonderful servant but a very bad master; it is so good a servant that there is a tendency for it to become an unjust steward and usurp the master's place."(35) This is precisely what we have to guard against.

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CAPITAL INFLOWS TO LDC'S AND THEIR IMPACT ON IMPORTS

By Gladson I. Nwanna

Economic growth in Less Developed Countries is said to be constrained by what has at times been referred to as 'development gaps,' notably shortages of financial resources, foreign exchange, and technological and managerial expertise. This belief has often led planners to seek increased foreign capital inflows as an instrument of economic growth.

However, the role played by capital inflows into developing countries has now become a matter of considerable concern and debate.(2) On the one hand, there are those who view foreign capital inflows as beneficial and as an 'engine of growth' for LDCs. To these proponents of foreign aid and investment, foreign capital inflows represent a 'sine-qua-non' for development and therefore should be encouraged. On the other hand, there are those who argue against such inflows, pointing to their potential and too often real negative effects. To these opponents, the flow of capital can become a constraint, with deleterious side effects which can too frequently distort the economy and exercise a net adverse effect on economic growth and development. While the debate continues, the flow of capital persists, and LDCs continue to welcome and increasingly depend on foreign capital inflows. The continued resort to foreign loans and investment capital conveys the impression that the net effect of such inflows on economic growth and development is necessarily positive and beneficial.

It is the objective of the present study to further explore the contributions of foreign capital inflow. Specifically, this study examines the impact of annual changes in foreign capital inflow (private and public) on imports into developing countries. Any information in this area can provide helpful insight into the role of capital inflow in the development efforts of LDCs, and also provide additional insight into the problem of transfer pricing.(3)

Studying the Impact of Capital Transfers

Empirical studies on capital inflows into LDCs, like those

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CHART 1

$$\Delta M = \lambda_{10} + \lambda_{11}\Delta FD + \lambda_{12}\Delta FD_{t-1} + \lambda_{13}\Delta FP + \lambda_{14}\Delta FP_{t-1} + \mu_{15}$$

Identity: F = FD + EP

Where:

M	=	Imports of Goods and Services
F	=	Total Foreign Capital Inflows (net)
FD	=	Net Private Foreign Capital Inflows
FP	=	Net Public Foreign Capital Inflows
Δ	=	Symbol for 'change'
λ	=	Constant or Coefficient of Regression Variables
μ	=	Standard Error of Regression
't'	=	Time Subscript

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focusing on the impact of such inflows on economic development, have been growing steadily. For the most part, these studies have either focused directly on broad growth and development variables or have measured the impact indirectly by analyzing the effects of the flows via key macro-economic variables such as gross national product, exports, foreign exchange, capital formation and savings. These studies have been based on either an aggregate crosssectional assessment or on a disaggregate one-on-one time-series framework (Massell et al, 1972; Van Loo, 1977; Nwanna, 1984). None of the studies have explicitly measured or examined the effect of foreign inflows on imports into LDCs, and the relatively few studies that came close to this dealt mostly with the effects of foreign direct investment (EDI), rather than with inflows in general, and tended to be less explicit (Van Loo, 1977; Nwanna, 1984). Yet others studied only developed countries (e.g. Van Loo, 1977).

The present study will attempt to close the gap by focusing on LDCs and evaluating both foreign direct investment, which constitutes the largest portion of private capital inflows, as well as other inflows, mostly from public sources (e.g. foreign aid grants and loans).

Inspite of the debate on the ultimate effects of capital inflows on economic growth and development, it would appear that such effects could well be partially explained via imports. This is justifiable, since the level of imports tend to fluctuate in line with the various cycles of economic growth, reflecting the availability or scarcity of financial resources, including constraints savings, and foreign exchange.

Capital Inflows and Import Demand

To test for the impact of annual changes in foreign inflows on imports in LDCs, a single regression equation will be used (see Chart 1).

Theoretically, an import demand equation will also include income and price variables as explanatory variables. However, a specification with these parameters is not attempted in the present study since the primary purpose of the study is not to test for the determinants of import demand in developing countries per se, but rather to isolate the two major sources of foreign capital inflows and to examine the direction and magnitude of their impact on import demand. The inclusion of the two capital inflow variables is thus justified on these grounds.

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Moreover, any attempt to exclude the variables will deprive us from measuring the impact of the inflows directly. The unlagged and lagged specifications of the inflow variables were made on the assumption that it takes some time for capital inflows to sufficiently impact on import demand. On the other hand, the lagged specification provides us with a framework from which to measure the speed at which capital inflows are utilized for imports. It is presumed that the rate of conversion or utilization will vary from one economy to the other, and will depend on the level of efficiency of resource use in the particular country. It will also depend on other factors, such as the degree of capital constraint, the propensity to consume – especially foreign goods – as well as on the type of commercial and fiscal policies prevailing in the country.

The foreign capital components to be examined in this study are net private foreign capital inflow (FD) and net public foreign capital inflow (FP). The former comprises net private transfers, net changes in private long-term and short-term liabilities, and assets plus errors and omissions, while the latter variable comprises net changes in official and banking long term liabilities and assets, plus official donations on transfer payment account.

The specification using first differences as employed in this study is aimed at reducing serial correlation in the explanatory parameters. The expected coefficient sign for the capital inflow variables in the equation cannot be determined *a priori*, although from the viewpoint of LDC governments, it should be negative.

Our primary interest in the import demand equation is in the performance of the capital inflow variables and particularly, in the size and magnitude of their respective coefficients. A positive sign will be interpreted to mean that capital inflows to LDCs during the period under observation did increase or result in increased demand for imports, while a negative sign will mean that capital inflows discouraged or reduced the demand for imports.

Statistical Estimation and Empirical Results

The sample data used in this study constitutes twenty-one years of annual time series data, covering the years 1963-1983, and was taken from the *Balance of Payment Yearbook* and the *International Financial Statistics Yearbook* published by the

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TABLE 1

Import Regression Equation Results:
Aggregate for Selected LDC

$$\underset{}{\text{Import}} = \underset{}{8.25} + \underset{(5.1)^{*}}{.857\,\Delta F_{b}} + \underset{(2.5)^{**}}{.215\,\Delta F_{b_{-1}}} + \underset{(4.1)^{*}}{.920\,\Delta F_{p}} - \underset{(1.6)}{.296\,\Delta F_{p_{-1}}}$$

$$R^{2} = .57 \quad F = 41.2$$

(Figures in parenthesis represent ratios)

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International Monetary Fund.

A sample of 15 LDCs is used in this study. The sample is drawn from various geographical regions of the world: Africa, Latin America, the Middle East, and South-eastern Asia and comprises Liberia, Nigeria, Ghana, Senegal, Tanzania, Mexico, Brazil, Venezuela, Ecuador, Argentina, Gabon, Indonesia, the Philippines, Algeria and Peru. The choice of these countries was partly dependent on the availability of time series data for the years under consideration.

To reduce heteroelasticity, and to maintain comparability, all of the data was expressed in U.S. dollars and in 1975 constant prices. All data not originally expressed in U.S. dollars were converted to dollars using the market-par exchange rates for the respective years published in the International Financial Statistics.

The results of the empirical test are presented in Tables 1 and 2. Table 1 shows the results from cross-pooling of time series data for all of the LDCs in the sample. It thus represents the aggregate result(4) of the impact on imports for the selected LDCs as a group, resulting from annual changes in the relevant explanatory variables.

The regression method used in this study is the ordinary least squares. The following estimated statistics have been included in the table of results: the coefficient of regression parameter (λ) the coefficient of determination (R^2) and the statistics. The "F" statistic test is carried out at the 5% level of significance. The "t" ratio is also applied, to test for the significance of the estimated regression coefficients.

Generally, all the regression equations had a good fit. In both the results presented in Tables 1 and 2, several specifications of the capital inflow variables in the main regression model were tested. The specification carrying a one period lag was found to improve better, not only the explanatory power but also the overall equation results; and at the same time allowing for a reasonable degree of freedom.

An analysis of Table 1 shows that capital inflows explained 42% of the annual variability in imports in LDCs over the period tested, the remaining 58% being explained, possibly, by other important factors that have not explicitly been tested, for reasons noted earlier in the study. All of the explanatory variables were found statistically significant except for the lagged public inflow variable. The unlagged variables were

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TABLE 2

Import Regression Equation Coefficient: Individual Countries

	Constant	P_0	P_{0-1}	P_0	P_{0-1}	R^2	P-Ratio
Liberia	.578	1.001 *	.121 *	.912 *	.243	.64	52.1
Nigeria	1.831	1.423 *	.310 *	1.352 *	.302 *	.48	63.8
Ghana	.695	1.030 *	.221 *	1.021 *	.180 *	.73	30.2
Senegal	8.211	.910 *	.255 **	.709 *	- .624 *	.69	55.1
Tanzania	5.247	.873 **	.117 *	.918 *	-1.014 *	.58	70.2
Mexico	10.556	.902 *	.346 *	.629 *	1.482	.47	42.3
Brazil	2.301	.874 *	.231 *	.936 *	-1.292	.52	60.9
Venezuela	12.295	.719 *	.125 *	.859 *	-1.301	.49	71.2
Ecuador	10.317	.790 *	.244 *	.907 *	-2.001	.61	31.4
Argentina	4.860	.882 *	.174 *	.886 *	1.113	.67	28.2
Gabon	15.781	.545 ***	.023 **	.935 *	- .112	.43	71.5
Indonesia	9.725	.676 *	.411 *	.901 *	- .236 *	.62	67.6
Philippines	2.21	.760 *	.198 *	1.017 *	- .170	.70	48.5
Algeria	20.333	.771 **	- .115 **	.721 *	-1.221	.50	36.6
Peru	18.721	.684 **	.331 **	.822 *	.264	.53	38.2

NOTE
* Significant at the 1% level
** Significant at the 5% level
*** Significant at the 10% level

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significant at the 1% level as evidenced in their t-ratios, while the one period lagged private inflow variable was significant at the 5% level.

Further analysis of Table 1 shows, more importantly, that annual changes in foreign capital inflows had a net positive effect on imports. The effect may be explained by the pressure arising largely from the transfer mechanism.(5) Table 1 also shows that much of the significant positive effect results from private inflows as opposed to those that are largely public in form.(6)

The timing relationship of capital inflows on import demand is also indicated in the results. Public inflows into LDCs, it appears from the estimated coefficients of the parameter and their respective t-ratios, are quickly used up for importation in the first year as opposed to private capital inflows. This might be explained by the unique characteristics of these inflows. For example, public inflows that are mostly in the form of aid and grants have often been accompanied by relatively less stringent rules and checks as to manner and degree of utilization when compared to private direct inflow. The recipient developing countries have therefore tended to ultilize them with the same speed and degree of efficiency (or inefficiency) characteristic of some of these economies. This aspect is better portrayed in Table 2, dealing with the individual countries. Similarly, the positive result and the timing relationship of private capital inflow in the form of direct investment(7) might be partially explained by the very nature of direct investment, which at times involves the subsequent importation of raw material and industrial spare parts, usually from the parent company. (Safarian, 1966).

Another important result demonstrated in Table 1, relates to the magnitude of the effect of capital inflows. The respective figures of the conversion process into imports shows that for public inflow the process is largely completed during the first year, with $1 of such inflow generating close to $1 of imports. For the private inflow, the transfer process is only completed in the year preceding the year of initial inflow, although a greater share is expended on imports during the first year.

The results of the impact of foreign capital inflow on import demand on the selected LDCs are presented in Table 2. An import demand equation that included an income, relative price

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of import and exchange rate variables could have been more predictive than one that included only capital inflow variables. However, that specification was not attempted either in the aggregate or individual country equation for the reason noted earlier.

Generally, the results of the individual country equation confirm the aggregate findings. The respective values for the coefficient of determination (R^2) shows that the two major sources of inflow had significant different explanatory power in explaining the resultant variation in import demand. For most of the countries, however, both foreign private inflows and foreign public inflows, together with their respective one period lags, explained over 50% of the variations. The few exceptions include Nigeria, Mexico, Venezuela, Gabon, Algeria and Peru. This could be explained by the fact that these are mostly oil-producing and exporting countries that rely to a significant degree on petroleum earnings for growth. The unlagged private and public capital inflow variables were found statistically significant at the 1% level for most of the sample countries except for Peru and Tanzania in the former type of flow, and Algeria and Peru in the latter, that were significant at the 5% level. Gabon and Algeria were found significant only at the 10% level for the unlagged private inflow variable. In both the unlagged cases, the coefficient signs for the regression parameters were largely positive.

Furthermore, except for Gabon, which was only significant at the 10% level, and Senegal, which was significant at the 5% level, the lagged private capital inflow variables were found significant at the 1% level. All of the variables also had positive coefficient signs. In the case of lagged public capital variables, the coefficient for most of the countries were largely insignificant at the 5% level except for Senegal, Tanzania, Nigeria, Ghana and Indonesia. Most of the regression coefficients for the lagged public inflow parameter had negative signs except for Liberia, Nigeria, Ghana, Mexico, Argentina and Peru which recorded positive signs. It appears from the size and sign of the regression coefficients in the case of Nigeria and Ghana that foreign capital inflow had a significant net positive effect, with more in the former than in the latter country. This result might well explain some of the major concerns of the Nigerian government, especially in recent years.(8) It does appear also, in the case of Senegal and Tanzania, that while both foreign

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private and public capital inflows have a net positive effect on import demand, public inflows over time resulted in lower import of goods and services. This might be due to the relative economic stability and a higher degree of efficiency in the utilization of public capital inflows.

Another useful revelation in Table 2 is the degree of complementarity or displacement emanating from foreign capital inflows for the various countries. Considering just the private inflow variables, it appears that $1 of foreign private inflow for most of the countries resulted in less than $1 of import during the first year, except for Liberia Ghana and Nigeria, and close to an equal amount ($1) of import the year after the first year of inflow. This leaves private inflows having close to unity or neutral effect on imports for most of the countries, with the exception of Liberia, Nigeria, Ghana, Senegal and Mexico.

Similarly, in the case of public capital inflow $1 of such inflow for most of the countries generated close to an equal amount of import during the first year, and less than $1 of import by the end of the second year. The only statistically significant exception in this latter case are Ghana and Nigeria, where public inflow, like private inflow, resulted in more than a proportionate increase in imports. The rather unusual result for Nigeria and Ghana may partly explain the trade deficits recorded by these economies during most of the years tested. On the other hand, it may be due, among other factors, to the inefficiency of the fiscal, monetary, and commercial policies as well as to the pattern of pro-foreign good consumption which is characteristic of these countries, especially, in recent years.

As a whole, the results of the individual country equations confirmed the aggregate finding. The individual country equation results did, however, also provide further clarification of the aggregate findings, particularly in the differences in impact resulting from the two major forms of capital inflow.

Heavy Capital Inflows Can Result in Wasteful Imports

This study concludes that annual changes in foreign capital inflows do have a net positive effect on imports into developing countries. More of the positive impact results from public inflow during the initial year of inflow, but much more results from private inflow by the end of the second year. In other words public inflows into LDCs are converted more rapidly into

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imports than private inflows, although the net positive effect is greater for private inflows by the time the transfer process is completed at the end of the following year. Furthermore, it is also found that although annual changes in foreign capital inflows does have a positive impact on imports on the aggregate, the effect is not neutralized in the sense of an equal change. Rather it is the case that such inflows generate less than a proportionate amount of change in imports. It is important to note, however, that the direction and size of the effect of the inflows varies from one country to another. While the results in some of the countries were in line with the aggregate results, others differed. The observed differences may be partly explained by the unique differences of these economies as to population size, degree of openness, degree of efficiency in the use of capital inflows and other resources, size of foreign inflows and differences in the effectiveness of monetary, commercial and fiscal policies. These differences, admittedly, were not explicitly incorporated in the present study.

If, in fact, LDCs generally and consistently strive to increase exports and reduce imports as casual empiricism will suggest, and if in reality they have chosen to meet this goal through a strategy of encouraging or depending on the inflow of foreign capital, the short-run findings of this study should give cause for some concern. Similarly, it should be cause for concern to the suppliers of capital inflows, especially those that are public in nature (e.g. government grants and aid), since the resultant increase in imports might be interpreted as waste by some donors.

I must emphasize, however, that it is difficult to make any realistic assessment of the long-run implications of the findings of this study without detailed analysis of, or a priori assumptions with regard to the type of inflow, the receiving country, the receiving sector, the conditions surrounding each inflow and importantly, the overall contribution of foreign inflows and imports in the economic growth of each and every country included in the study. Such analysis has not been attempted in this study. Future researchers would find this an important and useful extension.

One can nevertheless draw valuable inferences in support of the present study from casual observation of the political, social and economic conditions in these economies, especially in the past two decades. For the most part they have ranged from

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chronic problems, such as high inflation, high unemployment and balance of payment deficits, to other concerns such as heavy ostentatious consumption, especially of foreign goods, inefficient use of scarce economic resources, higher importation of luxury goods and raw-material spare parts for their ambitious import-substitution industries. Yet other concerns have been levied on the appropriateness of the type and direction of foreign capital inflows such as direct investments. Even the effective monitoring of foreign subsidiaries, as well as of foreign raw material dependent firms has become an issue in many recipient developing countries, some of which have only begun in recent decades to apply restrictive national policies on imports, on the use of foreign raw materials, on foreign investment as well as through indigenization and nationalization of foreign firms. Despite these responses however, the results of the present study re-affirm the need for LDCs to re-evaluate not only their policies on foreign capital inflow but also on imports.(9) Suppliers of capital to LDCs, especially those that are public in nature, might find the results of this study useful in formulating future policy relating to aid to and investment in LDCs, with particular attention being paid to countries which minimize imports, expand exports, reduce the waste of capital resources and take other steps to achieve sustained economic growth.

FOOTNOTES

(1) H.B. Chenery and A. Strout, "Foreign Assistance and Economic Development," *American Economic Review* 56 (September 1966), pp. 679-733.

(2) For detailed discussion on capital inflows in LDCs and ensuing debates on the issue, see Behram (1960); McDougall (1960); Kemp (1962); Chenery and Strot (1966); Griffin (1970); Vernon (1971); Weisskopf (1972); Papanek (1972, 1973); Lall (1974); Reuber et al (1973) and Denison (1980).

(3) Recent studies on "Transfer Pricing" include that of Robbins and Stobaugh (1973).

(4) The problem of aggregation and the weakness inherent in treating as a homogenous group, countries with different economic, political and social characteristics is well acknowledged. Such an extension is nevertheless, useful for comparison purposes.

(5) For some background and theoretical notes on the "Transfer Problem" see Keynes (1929); Ohlin (1929); Metzler (1942).

(6) The need to meet uniform standards of product design, as well as other economic factors, is suggested by Safarian (1966) to account for the increased demand for imports by foreign subsidiary firms operating in Canada.

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(7) The term "Foreign Direct Investment" is used here, in contrast to "Portfolio Investment," to refer to those foreign investments (mostly private in form) that involve a significant element of ownership, control and management.

(8) Some of these concerns are explicitly stated and analyzed by Nwanna (1984: 105-136).

(9) For most of the countries in the sample, the annual growth rate of imports surpassed that of exports for the years 1975-1977, the bulk of the imports being on machinery and equipment. See Kurian (1978) *Encyclopedia of the Third World*. Volumes 1, 2, and 3.

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THE TAX-EXEMPT FOUNDATIONS
William H. McIlhany, II
Arlington House, New York

The author explores the extent to which a small number of very large tax-exempt foundations exert a profound influence on U.S. public policy by promoting specific ideological and philosophical doctrines. These in turn influence both the course of study in various fields and the kinds of solutions certified as acceptable modes for dealing with social and economic problems.

In Part I, "The Past Record of Foundation Activism," Mr. McIlhany presents three chapters which survey the various Congressional investigations, including the Walsh Commission (1913-1915), the Patman investigations of tax-protected profiteering behind philanthropic cloaks (1960s), the Cox Committee investigation of the Institute for Pacific Relations and other subversive organizations (1951-1953), and the Reece Committee investigation (wherein Norman Dodd was research director (1953-1954).

Part II, "The Major Foundations Today," includes a chapter on each of the Carnegie, Rockefeller, and Ford foundations, and a chapter on small activist foundations (Twentieth Century Fund, Field Foundation, Ottinger Foundation, and others), as well as a study of interlocking beneficiaries. In addition to review, explanation, and critique of foundation activities and publications, the author interviewed at length Dr. David Z. Robinson, vice president of the Carnegie Corporation, Rockefeller Foundation president John H. Knowles, Richard Magat, director of the Office of Reports of Ford Foundation, and Jack Howard, assistant director of Twentieth Century Fund.

McIlheny demonstrates himself to be a skilled researcher, a knowledgeable interviewer, and an able writer who repeatedly impales foundation spokesman with their own words and works. His book reveals the overwhelming extent to which the research and advocacy promoted by the tax-exempt foun-

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dations has fostered a government-solution mind-set in the fields of education, health, humanities, welfare, international activities, and in the physical, biological, and social sciences.

He documents the manner whereby the Carnegie Foundation has functioned as an unofficial instrument of internationalist policies, seeking constantly to repair and improve the image of the United Nations – which the author asserts is "a face saving maneuver on behalf of that world government structure to which the endowment contributed so many years of patient effort".

In his discussion of the three Rockefeller foundations (namely the Rockefeller Foundation and the Rockefeller Brothers Fund, which he perceives as having a a sterling record for support of activist advocates of statism, and the Rockefeller Family Fund), the author illustrates the extent to which the foundations have promoted certain chosen doctrines to the relative exclusion of all alternatives in the fields of public health, population problems, public policy and social science research.

Commenting on the policies of the Rockefeller foundations the author explores the proposition that shared methodological orthodoxies would lead researchers toward the same generally accepted ideological conclusion that more government is necessary. He also notes that many measures advocated by the Rockefeller foundations had the effect of strengthening the hold of collectivist regimes in favored nations: such measures, McIlany claimed, inhibited private enterprise, the only solution that "could help out the miserable souls who had been maintained in their poverty by socialist despots." Admonished by the head of the Rockefeller Foundation to remember the poverty of Zaire, McIlhany observed that the new African nations could hardly expect prosperity as following the departure of the European colonial administrators they had expropriated efficiently run European businesses and farms while "suppressing native initiative by a mass of statist controls, a state of affairs one might anticipate from reading Robert Ruark's *Something of Value*. Little more could be said of the bloody comic opera orchestrated by Mobuto Sese Seku of Zaire, in what used to be the Belgium Congo."

McIlhany also deals with the Ford Foundation's activism in advocacy of "equality" and "social justice" from the early 1960s onward. With respect to property rights, McIlhany notes

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that under the original framework of the Constitution, unless either party to a potential sale had committed a criminal act (as distinct from a 'bigoted' or prudently discriminatory act), government should not make such action a crime. To refuse to enter into a contract for the sale of one's property is not, or or at least never should be, a crime. However, "We find the result of Ford's Orwellian guarantee of 'fairness' not to be a contradiction of property rights because under such a system, by definition, there will be no more property rights." The Ford Foundation was an ardent financier and supporter of the civil rights legislation of the 1960s which so vastly (and unconstitutionally) expanded the powers of the federal government and deprived individuals of the right to make their own decisions.

The record of the Ford Foundation, as the author found it, was one of partisan political lobbying in many areas of leftist activism for the nepotic benefit and advantage of political associates and myriad pressure groups openly engaged in partisan lobbying efforts. The Ford Foundation, McIlhany states, "has been the leading supporter of practically every scheme to increase the power of government in the United States."

In a shorter chapter on smaller activist organizations, particularly the Twentieth Century Fund, McIlhany finds a similar parade of faces, themes, and ideological postures, all supporting a similar spectrum of beneficiaries. The foundations, as the author demonstrates, have served as conduits for the implementation of statism, and the very failures of the statist policies advocated are advanced as the raison d'etre for even more statist control.

McIlhany charges that a history of American funds and foundations since the 1890s would touch upon so many issues and concerns that it could easily digress into a history of our civilization during the same period of time. Rather than undertake such a treatise, he has elected to examine only the pattern of consistent promotion of leftist and statist socio-political and economic goals these foundations generally support. The question whether the head of the foundations just happen to share basically the same common philosophy, or whether the foundations are guided by collaborative principles is raised, and McIlhany concludes that while no answer can be given to that question, there can be no doubt that the evidence points to "the degree of consistency with which the founda-

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tions have promoted the growth of big government and the objectives of world government [and] also the fact that there are no comparably large foundations successfully promoting to any similar degree an individualist goal of limited government."

Tommy W. Rogers

CRIME BY CHOICE: AN ECONOMIC ANALYSIS

Morgan O. Reynolds
The Fisher Institute, Dallas

Dr. Reynolds is a professor of economics at Texas A & M University. He maintains that the evidence that criminals respond rationally to their opportunities is compelling in contrast to the intellectually-conceived theories of rehabilitation. Scholars do not so much confront the evidence, he asserts, as merely bid it adieu. Books with titles like *Rape and Inequality*, which purports to demonstrate the "strong linkages among rape, sexual inequality and capitalist socioeconomic systems" and allegedly shows "that an exploitative mode of production such as capitalism produces socioeconomic inequalities, which spawn increased violence" find academic favor.

In Reynolds' view the long-run problem is to change the intellectual climate away from collectivism and injustice toward liberty and justice. It is not a surprise, the author maintains, that a rise in crime has accompanied the rise of the welfare state and socialism. If the problems of crime, like other ills of the welfare state, are to be ameliorated, it will be necessary to move toward a society where economic and social policies are determined by rational principles, such as those which explain the workings of the economic system.

The socialist welfare state operates by taking from the politically uninfluential to give to the politically influential. Although "redistribution" is not called stealing if it is performed by government, the same act by a private individual is labelled as theft. Yet, neither shoplifters nor more serious criminals think of themselves as stealing; they just "take" things. In a way their labelling is correct, Reynolds opines, because crime and most of what takes place under the heading of politics are the same thing.

Reynolds agrees that "war on poverty" is a war of crime, but not in the sense that liberals mean it. Liberals mean governmental distribution, generous welfare benefits, and more social

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workers and bureaucrats. But Reynolds asserts,

> . . . The consequences of these programs have been family dissolution, illegitimacy, mass unemployment, demoralization, nonexistant work skills. Redistribution intensifies poverty, perpetuates it, and increases crime. The real war on poverty occurs daily in the market place. Capitalism, entrepreneurship, commerce, and the creation of new wealth is the real war on poverty. Capitalism encourages independence, self-reliance, honest dealing, expanded employment opportunities, and therefore [to the extent such variables are factors in less crime] less crime.

Criminals, Reynolds asserts, rationally respond to incentives. They choose their crimes, and freely admit it in conversations. Demographic variables, criminal opportunity, and deterrence are all factors in crime, but the fundamental causes of crime, though interwined with economic and social variables in subtle ways, reflect the moral fibre of a people. Crime, Reynolds asserts, is intimately connected with the welfare state. He feels that the four-fold expansion in crime in the last twenty years, like all revolutions in public policy, has been a top-down revolution. Friedrich von Hayek has pointed out that political opinion over the long run is determined by the active intellectuals. The Left has understood that there is always a long preceding phrase during which socialist ideas govern the thinking of intellectuals prior to a nation's move toward socialism. Thus, parties of the Left have historically directed attention toward gathering the support of intellectuals, while conservative groups have acted — unsuccessfully and just as regularly — on a naive view of mass democracy, vainly trying to change policy by reaching the individual voter. However, he writes, ". . . socialism was never at first a working class movement; it was a construction of theorists, and required long effort by intellectuals before public opinion was persuaded to accept it." The same is true, Reynolds states, for the expanded 'rights for criminals,' theories of crime which place blame on society rather than the criminal, and proffer rehabilitation and dubious legal processes which allow concern for criminals to prevail over concern for victims. Reynolds adds that there is a similarity between the faith in "rehabilitation" of criminals and the belief in socialism. If socialists' theories are challenged by pointing to the evidence of how socialism works in practice, a common retort is, "My

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kind of socialism has never been tried."

Western governments no longer seek to be an impartial umpire; rather, they seek to rule-bend and engineer outcomes. Atrophy of the rule of law has been accompanied by growth of governmental regulation. For example, for many businessmen, legal protection now means laws which restrict competitors; to educationists it means compulsory subjects for instruction; to moralists it means prohibition of drugs, pictures, or reading matter; to unionists it means elimination of lower-priced labor through strikes, minimum wage laws, and apprenticeship rules; to land ownership; to welfare recipients it means "entitlements" to money earned by workers, and so on. Although the menagerie of bureaucrats, lawyers, social workers, prison officials, and academics involved in criminal justice may be obviously due to the connection between unenforceable economic regulations, ensuing crime, and disorder, the all-powerful political state undermines the legitimacy of the rule of law on which free social intercourse depends.

Further, when government fails to secure the rights of people to peacefully engage in business, it fails in its basic task. As Reynolds puts it, "Men in order to engage in productive enterprise and to seek personal fulfillment, must be free, if not perfectly free from the actions of other men that, intentional or not, violate their persons or property by force or threat of force." From this view, crime is not just another social problem like low employment rates or undesirable housing, but attacks the very essence of civilization. Reynolds' opinion is that "there is an irreconcilable conflict between the rule of law, which depends on a limited government, and the welfare state." Robbery and tyranny by the state, like recognized crime processed by the "criminal justice system [which] has been transformed from a law enforcement mechanism into a thicket of criminal rights and make-work projects for the edification of nearly 2 million lawyers, judges, social workers, psychologists, criminologists, prison officials and other bureaucrats" wherein more people produce less justice, is a reflection of the general breakdown of moral law.

Respect for the rule of law itself is a restraint on lawlessness. Further, conformity to the rule of law prohibits the lawlessness and attendant programs of theft and redistribution which foster lawless behavior. If the rule of law prevailed, it would prohibit many policies that adversely affect crime rates, includ-

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ing the monetary and fiscal policies formed in Washington which finance destructive social programs and retard economic growth and employment opportunities.

Crime takes an enormous toll, both monetarily and in terms of human suffering. Dr. Reynolds has provided an excellent account of the interrelationship between the culture of the welfare state and the decrease in social security as crime becomes increasingly rampant and less effectively controlled by enormously increased sums of capital and privately and publically compensated personnel. Crime is another example of the negative sum games of the twentieth century. Reviving internal constraints depends on gradually reversing the growth of Leviathan. The welfare state, rather than retarding crime, is rapidly destroying the most basic and fundamental American capital – a legacy of middle-class virtue which is being depleted without being replaced – and is spawning a large reservoir of potential criminals by the attendant familial breakdown, low work effort, system of reward of failure and incompetence, politics of redistribution and demoralization.

Reynolds provides a very good study of such items as the definition and measurement of crime, criminals and victims, the police, courts, and punishment, drugs, organized crime, labor violence, and the debate over deterrence. While many would argue that genetic factors also need to be considered when examining the problem of crime, Reynolds has advanced a number of propositions which have gut-level as well factual legitimacy.

Tommy W. Rogers

A JAPANESE RECONSTRUCTION OF MARXIST THEORY
Robert Albritton
St. Martin's Press, New York.

The ideas of Japanese political economist Kozo Uno are little known outside Japan. By drawing out the implications of Uno's theories, Professor Albritton develops a powerful paradigm that highlights the controversies in Marxist theory. Sympathetic to Marxism, he seeks an innovative solution to that most intransigent of problems – the relation between the theoretical ideal and the historical reality. He includes a Marxist perspective on the law of value and an account of the debate

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between Sraffians and orthodox Marxists. The author also explores some of the issues surrounding the relation between Hegel and Marx and "dialectical materialism." Finally he discusses the central concerns associated with historical materialism including the "mode of production," "forces and relations of production," and the transition to socialism. Altogether a very revealing introduction to the way modern Marxist intellectuals think.

YELLOWSTONE: A WILDERNESS BESIEGED
Richard A. Bartlett
University of Arizona Press, Tucson

Beneath the scenic splendor that is Yellowstone National Park lies a lesser known human history, a story with a cast of strong-willed men and women who were complex, idiosyncratic, selfish, stubborn, whimsical, and amusing, but never dull.

"Yellowstone: A Wilderness Besieged" traces the revolutionary experiment, in 1872, of defying the Judeo-Christian concept of conquering and "civilizing" a wilderness, and instead preserving it as much as possible in its natural state "for the enjoyment of all the people."

How has the federal government dealt with its charge of preserving so great an experiment? Has it succeeded or failed? How have exploiters succeeded or been thwarted in their attempts to despoil the land and destroy wildlife? How have politics affected the park? Is the park in danger today?

Bartlett's rare combination of exacting scholarship and engaging style comes through on every page as he begins his story with a description of early park visitors, "plain folks" as well as the rich and famous.

"Today I am in the Yellowstone Park and I wish I were dead," wrote an initially disenchanted Rudyard Kipling, after the long journey to reach the Park. Yet, in almost the next breath he was laughing "with the sheer bliss of being alive."

Kipling's surrender to Yellowstone's mystique was echoed by nearly every traveler in the park, among them presidents and poets, visionaries and connivers, hikers armed with umbrellas to ward off rattlesnakes, and one intrepid cyclist who advised the world to "take your pneumatic and see Yellowstone Park awheel as I did."

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Others in the Yellowstone story include railroad magnates and concessionaires who saw an opportunity for financial gain, park administrators who ruled their remote outpost under constant threat of changing political whim, and reclamationists who found in Yellowstone's wilderness a cause to champion. The author concludes with a look at present day problems of coping with the two and a half million people who visit the park every year.

COERCION AND CONTROL IN COMMUNIST SOCIETY
Maria Hirszowicz
St. Martin's Press, New York

This major new book – written by a leading commentator on Eastern Europe – is an important investigation of the links between the role of coercion and the maintenance of the social and economic order in a Communist command economy.

Dr. Hirszowicz argues that the use of the bureaucratic "visible hand' is fundamentally dependent on coercive power, no matter how well established and economically advanced the Communist Party State may be.

Focusing on the modern Polish experience, the author shows how contemporary Soviet-type economies fail to function once the full impact of coercive rule cannot be brought to bear. She provides extensive historical and contemporary research, revealing the dilemma of the Polish model of Socialism, characterized by a dual economy, a weakening of the power structures and the superimposition of political and economic conflict.

This book makes a major contribution to our understanding of the role of force in the government and management of Communist society.

BARBARA McCREA, JACK PLANO and GEORGE KLEIN
The Soviet and East European Political Dictionary
ABC CLIO, Santa Barbara,

The Soviet and East European Political Dictionary offers encyclopedic definitions of nearly 300 terms, alphabetically arranged in chapter sequence according to subject. This arrangement complements the major texts and books on the Union of Soviet Socialist Republics and the countries of Eastern Europe.

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Each term is defined within its historical and contemporary context. Entries highlight the historical, geographical, economic, sociological, philosophical, and/or religious aspects of each term. In addition to a comprehensive index, the volume includes a "Guide to Countries" designed to facilitate the reader's search for specific data relating to the USSR and the nine countries included within the definition of Eastern Europe.

GEORGE ROCHE
America by the Throat: The Stranglehold of Federal Bureaucracy
Devin-Adair Publishers, Old Greenwich

All of us have at least one horror story involving bureaucracy. At best, it made us smile. At worst it took away our basic human rights and cost us money. Some of the stories are so fantastic that we are hard pressed to believe them. Examples of bureaucratic failings are in the news every day, such as the grant of $97,000 of the taxpayers' money by the Institute for Mental Health to a professor for a study of "social and behavioral relationships in a Peruvian brothel." While the project may have been of passing interest to the professor, one finds it difficult to understand why a bureaucracy should be authorized to finance relatively inconsequential studies of this nature with funds painfully extracted by Congress (with all the penal authority of the IRS) from the American public — or borrowed at high interest rates as a part of the burgeoning national debt that threatens to disrupt the entire economy. How does the public turn back the predatory power of a growing bureaucracy, and defend its hardearned wealth from salaried bureaucrats, themselves paid for by tax money, whose prime activity is devising further excuses for attracting additional finances to their departments?

In *America by the Throat* George Roche examines the problem of America's expanding bureaucracy. He says that the logic of bureaucratic coercion is that we cannot do things right on our own, cannot be trusted, and must be reduced to serfdom in the bureaucratic order.

Bureaucratic methods, he opines, are fundamentally different from, and irreconcilable with, those of private life.

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WILLIAM H. BLANCHARD
Revolutionary Morality: A Psychosexual Analysis of Twelve Revolutionists
ABC CLIO, Banta Barbara

Revolutionary Morality explores the psychodynamics of twelve men motivated to rebel against the political and social orders of their times. From Karl Marx to Mao Tse-tung, author William H. Blanchard leads the reader through the writings of twelve revolutionaries who shared a "common psychological dynamic" in their revolt against an existing political power. Whether the weapon was the pen of Karl Marx or the gun of Che Guevara, these men of revolutionary history shared psychological roots. Blanchard examines the life and times of each revolutionist within the context of turning one's self-torture into the means of social or political reform. As he says:

> I have stressed the role of masochism in the classical psychoanalytic significance, i.e., the sensuality and the virtuous thrill derived from suffering rather than the stoic satisfaction of asceticism. I have also emphasized the importance of attention-getting behavior as a child and the need for some demonstration of love for and from the masses as an adult.

Blanchard analyzes twelve revolutionists who based their resistance upon a moral premise promising to improve the human condition. The author assesses the critical events and influences in the lives of each, and their impact on the developing drive to rebel. Divided into four sections, *Revolutionary Morality* analyzes the diaries, speeches, and publications of the men exemplifying "The Social Rebel" (Lawrence, Rousseau, and Tolstoy); "Revolutionary Conviction Without Combat" (Kroptkin, Gandhi, and Marx); "Victory Without Power" (Sun Yatsen, Trotsky, and Che Guevara); and "The Successful Revolutionary" (Castro, Lenin, and Mao Tse-tung).

G. RUSSELL EVANS and C. GREGG SINGER
The Church and the Sword
St. Thomas Press of Houston, Houston

Anyone interested in national security, a strong national defense, and in trying to garner well-documented information about the forces and institutions in America, which have con-

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sistently worked against both, will find at least some of the answers in this book. In a real sense, it is a splendid resource book. The basic facts set forth are properly, adequately referenced in each instance.

Captain Evans and Dr. Singer set forth clearly the premise that for the past six decades (and even before that) it has been the mainline Protestant and Orthodox Churches, and their National and World Councils of Churches, that have been in the front lines — without surcease — promoting pacifism, unilateral disarmament and, today, giving strong impetus and backing to the nuclear freeze movement. The mainline Churches involved are named and it is documented as to how their clergy leaders, most times without the knowledge and support of a majority of their laymen, have relentlessly assisted the National Council of Churches in establishing policies which are clearly not in the national security interests of the United States. On the contrary, they have worked against such interests and have been broadened and buttressed by individual policy statements adopted at annual conferences and conventions of many mainline Churches.

CLAUDE S. PHILLIPS and JACK C. PLANO
The African Political Dictionary
ABC CLIO, Santa Barbara

The African Political Dictionary offers encyclopedic definitions of over 225 items, alphabetically arranged in chapters by subject. This arrangement complements material found in existing texts and works on Africa. Entries highlight the historical, geographical, economic, sociological, philosophical, and/or religious characteristics of each term.

Extensively cross-referenced, *The African Political Dictionary* also provides a comprehensive index for efficient access to information, a guide to countries, maps, and tables. Maps illustrate the following: countries and major geographic divisions of Africa; African states experiencing one or more military coups since 1945; religious and ethnic divisions of Africa; and the use of specific European languages. Through detailed tables, the volume offers detailed information on Africa's gross national product per capita, the growth rate in Africa's thirteen most populous countries, and other data.

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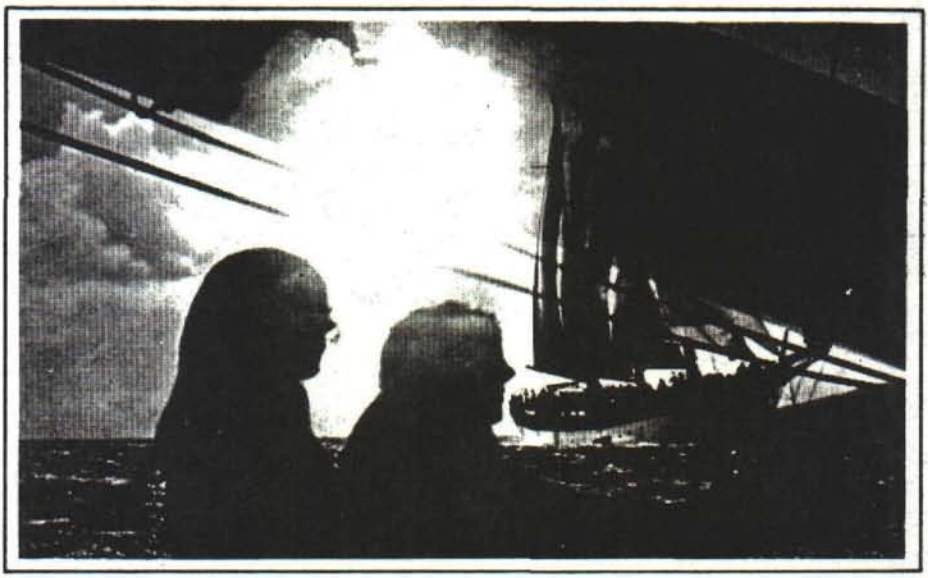
Sail a tall ship to a small island.



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